



101ST GENERAL ASSEMBLY

State of Illinois

2019 and 2020

SB1111

Introduced 2/5/2019, by Sen. Steven M. Landek

SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Pension Code. Provides that beginning January 1, 2020, the governing body of a municipality with a downstate police pension fund or downstate firefighter pension fund may require the pension fund to transfer its investment authority and assets to the Illinois Municipal Retirement Fund (IMRF) if its nets assets have surpassed a certain threshold. Provides that upon completion of the transfer, the investment authority of the board of trustees of the downstate police pension fund or downstate firefighter pension fund shall terminate. Contains other provisions concerning transfers to IMRF, rulemaking, transfer of investment authority, investments, and auditing. Requires the Commission on Government Forecasting and Accountability to conduct an analysis of the merits and feasibility of transitioning the investment authority of all boards of trustees of downstate police pension funds and downstate firefighter pension funds to IMRF. Makes changes to provisions concerning trustee training. Amends the Property Tax Extension Limitation Law of the Property Tax Code. Beginning January 1, 2021, removes a provision that excludes special purpose extensions made for contributions to a downstate firefighter pension fund from the definition of "aggregate extension". Excludes from the definition of "aggregate extension" special purpose extensions made for contributions to a downstate police or downstate firefighter pension fund that transfers its investment authority to IMRF. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB101 05853 RPS 50872 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 Property Tax Code is amended by changing
5 Section 18-185 as follows:

6 (35 ILCS 200/18-185)

7 Sec. 18-185. Short title; definitions. This Division 5 may
8 be cited as the Property Tax Extension Limitation Law. As used
9 in this Division 5:

10 "Consumer Price Index" means the Consumer Price Index for
11 All Urban Consumers for all items published by the United
12 States Department of Labor.

13 "Extension limitation" means (a) the lesser of 5% or the
14 percentage increase in the Consumer Price Index during the
15 12-month calendar year preceding the levy year or (b) the rate
16 of increase approved by voters under Section 18-205.

17 "Affected county" means a county of 3,000,000 or more
18 inhabitants or a county contiguous to a county of 3,000,000 or
19 more inhabitants.

20 "Taxing district" has the same meaning provided in Section
21 1-150, except as otherwise provided in this Section. For the
22 1991 through 1994 levy years only, "taxing district" includes
23 only each non-home rule taxing district having the majority of

1 its 1990 equalized assessed value within any county or counties
2 contiguous to a county with 3,000,000 or more inhabitants.
3 Beginning with the 1995 levy year, "taxing district" includes
4 only each non-home rule taxing district subject to this Law
5 before the 1995 levy year and each non-home rule taxing
6 district not subject to this Law before the 1995 levy year
7 having the majority of its 1994 equalized assessed value in an
8 affected county or counties. Beginning with the levy year in
9 which this Law becomes applicable to a taxing district as
10 provided in Section 18-213, "taxing district" also includes
11 those taxing districts made subject to this Law as provided in
12 Section 18-213.

13 "Aggregate extension" for taxing districts to which this
14 Law applied before the 1995 levy year means the annual
15 corporate extension for the taxing district and those special
16 purpose extensions that are made annually for the taxing
17 district, excluding special purpose extensions: (a) made for
18 the taxing district to pay interest or principal on general
19 obligation bonds that were approved by referendum; (b) made for
20 any taxing district to pay interest or principal on general
21 obligation bonds issued before October 1, 1991; (c) made for
22 any taxing district to pay interest or principal on bonds
23 issued to refund or continue to refund those bonds issued
24 before October 1, 1991; (d) made for any taxing district to pay
25 interest or principal on bonds issued to refund or continue to
26 refund bonds issued after October 1, 1991 that were approved by

1 referendum; (e) made for any taxing district to pay interest or
2 principal on revenue bonds issued before October 1, 1991 for
3 payment of which a property tax levy or the full faith and
4 credit of the unit of local government is pledged; however, a
5 tax for the payment of interest or principal on those bonds
6 shall be made only after the governing body of the unit of
7 local government finds that all other sources for payment are
8 insufficient to make those payments; (f) made for payments
9 under a building commission lease when the lease payments are
10 for the retirement of bonds issued by the commission before
11 October 1, 1991, to pay for the building project; (g) made for
12 payments due under installment contracts entered into before
13 October 1, 1991; (h) made for payments of principal and
14 interest on bonds issued under the Metropolitan Water
15 Reclamation District Act to finance construction projects
16 initiated before October 1, 1991; (i) made for payments of
17 principal and interest on limited bonds, as defined in Section
18 3 of the Local Government Debt Reform Act, in an amount not to
19 exceed the debt service extension base less the amount in items
20 (b), (c), (e), and (h) of this definition for non-referendum
21 obligations, except obligations initially issued pursuant to
22 referendum; (j) made for payments of principal and interest on
23 bonds issued under Section 15 of the Local Government Debt
24 Reform Act; (k) made by a school district that participates in
25 the Special Education District of Lake County, created by
26 special education joint agreement under Section 10-22.31 of the

1 School Code, for payment of the school district's share of the
2 amounts required to be contributed by the Special Education
3 District of Lake County to the Illinois Municipal Retirement
4 Fund under Article 7 of the Illinois Pension Code; the amount
5 of any extension under this item (k) shall be certified by the
6 school district to the county clerk; (l) made to fund expenses
7 of providing joint recreational programs for persons with
8 disabilities under Section 5-8 of the Park District Code or
9 Section 11-95-14 of the Illinois Municipal Code; (m) made for
10 temporary relocation loan repayment purposes pursuant to
11 Sections 2-3.77 and 17-2.2d of the School Code; (n) made for
12 payment of principal and interest on any bonds issued under the
13 authority of Section 17-2.2d of the School Code; (o) made
14 before January 1, 2021 for contributions to a firefighter's
15 pension fund created under Article 4 of the Illinois Pension
16 Code, to the extent of the amount certified under item (5) of
17 Section 4-134 of the Illinois Pension Code; ~~and~~ (p) made for
18 road purposes in the first year after a township assumes the
19 rights, powers, duties, assets, property, liabilities,
20 obligations, and responsibilities of a road district abolished
21 under the provisions of Section 6-133 of the Illinois Highway
22 Code; and (q) made for contributions to an eligible pension
23 fund as defined under Section 1-101.6 of the Illinois Pension
24 Code.

25 "Aggregate extension" for the taxing districts to which
26 this Law did not apply before the 1995 levy year (except taxing

1 districts subject to this Law in accordance with Section
2 18-213) means the annual corporate extension for the taxing
3 district and those special purpose extensions that are made
4 annually for the taxing district, excluding special purpose
5 extensions: (a) made for the taxing district to pay interest or
6 principal on general obligation bonds that were approved by
7 referendum; (b) made for any taxing district to pay interest or
8 principal on general obligation bonds issued before March 1,
9 1995; (c) made for any taxing district to pay interest or
10 principal on bonds issued to refund or continue to refund those
11 bonds issued before March 1, 1995; (d) made for any taxing
12 district to pay interest or principal on bonds issued to refund
13 or continue to refund bonds issued after March 1, 1995 that
14 were approved by referendum; (e) made for any taxing district
15 to pay interest or principal on revenue bonds issued before
16 March 1, 1995 for payment of which a property tax levy or the
17 full faith and credit of the unit of local government is
18 pledged; however, a tax for the payment of interest or
19 principal on those bonds shall be made only after the governing
20 body of the unit of local government finds that all other
21 sources for payment are insufficient to make those payments;
22 (f) made for payments under a building commission lease when
23 the lease payments are for the retirement of bonds issued by
24 the commission before March 1, 1995 to pay for the building
25 project; (g) made for payments due under installment contracts
26 entered into before March 1, 1995; (h) made for payments of

1 principal and interest on bonds issued under the Metropolitan
2 Water Reclamation District Act to finance construction
3 projects initiated before October 1, 1991; (h-4) made for
4 stormwater management purposes by the Metropolitan Water
5 Reclamation District of Greater Chicago under Section 12 of the
6 Metropolitan Water Reclamation District Act; (i) made for
7 payments of principal and interest on limited bonds, as defined
8 in Section 3 of the Local Government Debt Reform Act, in an
9 amount not to exceed the debt service extension base less the
10 amount in items (b), (c), and (e) of this definition for
11 non-referendum obligations, except obligations initially
12 issued pursuant to referendum and bonds described in subsection
13 (h) of this definition; (j) made for payments of principal and
14 interest on bonds issued under Section 15 of the Local
15 Government Debt Reform Act; (k) made for payments of principal
16 and interest on bonds authorized by Public Act 88-503 and
17 issued under Section 20a of the Chicago Park District Act for
18 aquarium or museum projects; (l) made for payments of principal
19 and interest on bonds authorized by Public Act 87-1191 or
20 93-601 and (i) issued pursuant to Section 21.2 of the Cook
21 County Forest Preserve District Act, (ii) issued under Section
22 42 of the Cook County Forest Preserve District Act for
23 zoological park projects, or (iii) issued under Section 44.1 of
24 the Cook County Forest Preserve District Act for botanical
25 gardens projects; (m) made pursuant to Section 34-53.5 of the
26 School Code, whether levied annually or not; (n) made to fund

1 expenses of providing joint recreational programs for persons
2 with disabilities under Section 5-8 of the Park District Code
3 or Section 11-95-14 of the Illinois Municipal Code; (o) made by
4 the Chicago Park District for recreational programs for persons
5 with disabilities under subsection (c) of Section 7.06 of the
6 Chicago Park District Act; (p) made before January 1, 2021 for
7 contributions to a firefighter's pension fund created under
8 Article 4 of the Illinois Pension Code, to the extent of the
9 amount certified under item (5) of Section 4-134 of the
10 Illinois Pension Code; (q) made by Ford Heights School District
11 169 under Section 17-9.02 of the School Code; ~~and~~ (r) made for
12 the purpose of making employer contributions to the Public
13 School Teachers' Pension and Retirement Fund of Chicago under
14 Section 34-53 of the School Code; and (s) made for
15 contributions to an eligible pension fund as defined under
16 Section 1-101.6 of the Illinois Pension Code.

17 "Aggregate extension" for all taxing districts to which
18 this Law applies in accordance with Section 18-213, except for
19 those taxing districts subject to paragraph (2) of subsection
20 (e) of Section 18-213, means the annual corporate extension for
21 the taxing district and those special purpose extensions that
22 are made annually for the taxing district, excluding special
23 purpose extensions: (a) made for the taxing district to pay
24 interest or principal on general obligation bonds that were
25 approved by referendum; (b) made for any taxing district to pay
26 interest or principal on general obligation bonds issued before

1 the date on which the referendum making this Law applicable to
2 the taxing district is held; (c) made for any taxing district
3 to pay interest or principal on bonds issued to refund or
4 continue to refund those bonds issued before the date on which
5 the referendum making this Law applicable to the taxing
6 district is held; (d) made for any taxing district to pay
7 interest or principal on bonds issued to refund or continue to
8 refund bonds issued after the date on which the referendum
9 making this Law applicable to the taxing district is held if
10 the bonds were approved by referendum after the date on which
11 the referendum making this Law applicable to the taxing
12 district is held; (e) made for any taxing district to pay
13 interest or principal on revenue bonds issued before the date
14 on which the referendum making this Law applicable to the
15 taxing district is held for payment of which a property tax
16 levy or the full faith and credit of the unit of local
17 government is pledged; however, a tax for the payment of
18 interest or principal on those bonds shall be made only after
19 the governing body of the unit of local government finds that
20 all other sources for payment are insufficient to make those
21 payments; (f) made for payments under a building commission
22 lease when the lease payments are for the retirement of bonds
23 issued by the commission before the date on which the
24 referendum making this Law applicable to the taxing district is
25 held to pay for the building project; (g) made for payments due
26 under installment contracts entered into before the date on

1 which the referendum making this Law applicable to the taxing
2 district is held; (h) made for payments of principal and
3 interest on limited bonds, as defined in Section 3 of the Local
4 Government Debt Reform Act, in an amount not to exceed the debt
5 service extension base less the amount in items (b), (c), and
6 (e) of this definition for non-referendum obligations, except
7 obligations initially issued pursuant to referendum; (i) made
8 for payments of principal and interest on bonds issued under
9 Section 15 of the Local Government Debt Reform Act; (j) made
10 for a qualified airport authority to pay interest or principal
11 on general obligation bonds issued for the purpose of paying
12 obligations due under, or financing airport facilities
13 required to be acquired, constructed, installed or equipped
14 pursuant to, contracts entered into before March 1, 1996 (but
15 not including any amendments to such a contract taking effect
16 on or after that date); (k) made to fund expenses of providing
17 joint recreational programs for persons with disabilities
18 under Section 5-8 of the Park District Code or Section 11-95-14
19 of the Illinois Municipal Code; (l) made before January 1, 2021
20 for contributions to a firefighter's pension fund created under
21 Article 4 of the Illinois Pension Code, to the extent of the
22 amount certified under item (5) of Section 4-134 of the
23 Illinois Pension Code; ~~and~~ (m) made for the taxing district to
24 pay interest or principal on general obligation bonds issued
25 pursuant to Section 19-3.10 of the School Code; and (n) made
26 for contributions to an eligible pension fund as defined under

1 Section 1-101.6 of the Illinois Pension Code.

2 "Aggregate extension" for all taxing districts to which
3 this Law applies in accordance with paragraph (2) of subsection
4 (e) of Section 18-213 means the annual corporate extension for
5 the taxing district and those special purpose extensions that
6 are made annually for the taxing district, excluding special
7 purpose extensions: (a) made for the taxing district to pay
8 interest or principal on general obligation bonds that were
9 approved by referendum; (b) made for any taxing district to pay
10 interest or principal on general obligation bonds issued before
11 the effective date of this amendatory Act of 1997; (c) made for
12 any taxing district to pay interest or principal on bonds
13 issued to refund or continue to refund those bonds issued
14 before the effective date of this amendatory Act of 1997; (d)
15 made for any taxing district to pay interest or principal on
16 bonds issued to refund or continue to refund bonds issued after
17 the effective date of this amendatory Act of 1997 if the bonds
18 were approved by referendum after the effective date of this
19 amendatory Act of 1997; (e) made for any taxing district to pay
20 interest or principal on revenue bonds issued before the
21 effective date of this amendatory Act of 1997 for payment of
22 which a property tax levy or the full faith and credit of the
23 unit of local government is pledged; however, a tax for the
24 payment of interest or principal on those bonds shall be made
25 only after the governing body of the unit of local government
26 finds that all other sources for payment are insufficient to

1 make those payments; (f) made for payments under a building
2 commission lease when the lease payments are for the retirement
3 of bonds issued by the commission before the effective date of
4 this amendatory Act of 1997 to pay for the building project;
5 (g) made for payments due under installment contracts entered
6 into before the effective date of this amendatory Act of 1997;
7 (h) made for payments of principal and interest on limited
8 bonds, as defined in Section 3 of the Local Government Debt
9 Reform Act, in an amount not to exceed the debt service
10 extension base less the amount in items (b), (c), and (e) of
11 this definition for non-referendum obligations, except
12 obligations initially issued pursuant to referendum; (i) made
13 for payments of principal and interest on bonds issued under
14 Section 15 of the Local Government Debt Reform Act; (j) made
15 for a qualified airport authority to pay interest or principal
16 on general obligation bonds issued for the purpose of paying
17 obligations due under, or financing airport facilities
18 required to be acquired, constructed, installed or equipped
19 pursuant to, contracts entered into before March 1, 1996 (but
20 not including any amendments to such a contract taking effect
21 on or after that date); (k) made to fund expenses of providing
22 joint recreational programs for persons with disabilities
23 under Section 5-8 of the Park District Code or Section 11-95-14
24 of the Illinois Municipal Code; ~~and~~ (l) made before January 1,
25 2021 for contributions to a firefighter's pension fund created
26 under Article 4 of the Illinois Pension Code, to the extent of

1 the amount certified under item (5) of Section 4-134 of the
2 Illinois Pension Code; and (m) made for contributions to an
3 eligible pension fund as defined under Section 1-101.6 of the
4 Illinois Pension Code.

5 "Debt service extension base" means an amount equal to that
6 portion of the extension for a taxing district for the 1994
7 levy year, or for those taxing districts subject to this Law in
8 accordance with Section 18-213, except for those subject to
9 paragraph (2) of subsection (e) of Section 18-213, for the levy
10 year in which the referendum making this Law applicable to the
11 taxing district is held, or for those taxing districts subject
12 to this Law in accordance with paragraph (2) of subsection (e)
13 of Section 18-213 for the 1996 levy year, constituting an
14 extension for payment of principal and interest on bonds issued
15 by the taxing district without referendum, but not including
16 excluded non-referendum bonds. For park districts (i) that were
17 first subject to this Law in 1991 or 1995 and (ii) whose
18 extension for the 1994 levy year for the payment of principal
19 and interest on bonds issued by the park district without
20 referendum (but not including excluded non-referendum bonds)
21 was less than 51% of the amount for the 1991 levy year
22 constituting an extension for payment of principal and interest
23 on bonds issued by the park district without referendum (but
24 not including excluded non-referendum bonds), "debt service
25 extension base" means an amount equal to that portion of the
26 extension for the 1991 levy year constituting an extension for

1 payment of principal and interest on bonds issued by the park
2 district without referendum (but not including excluded
3 non-referendum bonds). A debt service extension base
4 established or increased at any time pursuant to any provision
5 of this Law, except Section 18-212, shall be increased each
6 year commencing with the later of (i) the 2009 levy year or
7 (ii) the first levy year in which this Law becomes applicable
8 to the taxing district, by the lesser of 5% or the percentage
9 increase in the Consumer Price Index during the 12-month
10 calendar year preceding the levy year. The debt service
11 extension base may be established or increased as provided
12 under Section 18-212. "Excluded non-referendum bonds" means
13 (i) bonds authorized by Public Act 88-503 and issued under
14 Section 20a of the Chicago Park District Act for aquarium and
15 museum projects; (ii) bonds issued under Section 15 of the
16 Local Government Debt Reform Act; or (iii) refunding
17 obligations issued to refund or to continue to refund
18 obligations initially issued pursuant to referendum.

19 "Special purpose extensions" include, but are not limited
20 to, extensions for levies made on an annual basis for
21 unemployment and workers' compensation, self-insurance,
22 contributions to pension plans, and extensions made pursuant to
23 Section 6-601 of the Illinois Highway Code for a road
24 district's permanent road fund whether levied annually or not.
25 The extension for a special service area is not included in the
26 aggregate extension.

1 "Aggregate extension base" means the taxing district's
2 last preceding aggregate extension as adjusted under Sections
3 18-135, 18-215, 18-230, and 18-206. An adjustment under Section
4 18-135 shall be made for the 2007 levy year and all subsequent
5 levy years whenever one or more counties within which a taxing
6 district is located (i) used estimated valuations or rates when
7 extending taxes in the taxing district for the last preceding
8 levy year that resulted in the over or under extension of
9 taxes, or (ii) increased or decreased the tax extension for the
10 last preceding levy year as required by Section 18-135(c).
11 Whenever an adjustment is required under Section 18-135, the
12 aggregate extension base of the taxing district shall be equal
13 to the amount that the aggregate extension of the taxing
14 district would have been for the last preceding levy year if
15 either or both (i) actual, rather than estimated, valuations or
16 rates had been used to calculate the extension of taxes for the
17 last levy year, or (ii) the tax extension for the last
18 preceding levy year had not been adjusted as required by
19 subsection (c) of Section 18-135.

20 Notwithstanding any other provision of law, for levy year
21 2012, the aggregate extension base for West Northfield School
22 District No. 31 in Cook County shall be \$12,654,592.

23 "Levy year" has the same meaning as "year" under Section
24 1-155.

25 "New property" means (i) the assessed value, after final
26 board of review or board of appeals action, of new improvements

1 or additions to existing improvements on any parcel of real
2 property that increase the assessed value of that real property
3 during the levy year multiplied by the equalization factor
4 issued by the Department under Section 17-30, (ii) the assessed
5 value, after final board of review or board of appeals action,
6 of real property not exempt from real estate taxation, which
7 real property was exempt from real estate taxation for any
8 portion of the immediately preceding levy year, multiplied by
9 the equalization factor issued by the Department under Section
10 17-30, including the assessed value, upon final stabilization
11 of occupancy after new construction is complete, of any real
12 property located within the boundaries of an otherwise or
13 previously exempt military reservation that is intended for
14 residential use and owned by or leased to a private corporation
15 or other entity, (iii) in counties that classify in accordance
16 with Section 4 of Article IX of the Illinois Constitution, an
17 incentive property's additional assessed value resulting from
18 a scheduled increase in the level of assessment as applied to
19 the first year final board of review market value, and (iv) any
20 increase in assessed value due to oil or gas production from an
21 oil or gas well required to be permitted under the Hydraulic
22 Fracturing Regulatory Act that was not produced in or accounted
23 for during the previous levy year. In addition, the county
24 clerk in a county containing a population of 3,000,000 or more
25 shall include in the 1997 recovered tax increment value for any
26 school district, any recovered tax increment value that was

1 applicable to the 1995 tax year calculations.

2 "Qualified airport authority" means an airport authority
3 organized under the Airport Authorities Act and located in a
4 county bordering on the State of Wisconsin and having a
5 population in excess of 200,000 and not greater than 500,000.

6 "Recovered tax increment value" means, except as otherwise
7 provided in this paragraph, the amount of the current year's
8 equalized assessed value, in the first year after a
9 municipality terminates the designation of an area as a
10 redevelopment project area previously established under the
11 Tax Increment Allocation Development Act in the Illinois
12 Municipal Code, previously established under the Industrial
13 Jobs Recovery Law in the Illinois Municipal Code, previously
14 established under the Economic Development Project Area Tax
15 Increment Act of 1995, or previously established under the
16 Economic Development Area Tax Increment Allocation Act, of each
17 taxable lot, block, tract, or parcel of real property in the
18 redevelopment project area over and above the initial equalized
19 assessed value of each property in the redevelopment project
20 area. For the taxes which are extended for the 1997 levy year,
21 the recovered tax increment value for a non-home rule taxing
22 district that first became subject to this Law for the 1995
23 levy year because a majority of its 1994 equalized assessed
24 value was in an affected county or counties shall be increased
25 if a municipality terminated the designation of an area in 1993
26 as a redevelopment project area previously established under

1 the Tax Increment Allocation Development Act in the Illinois
2 Municipal Code, previously established under the Industrial
3 Jobs Recovery Law in the Illinois Municipal Code, or previously
4 established under the Economic Development Area Tax Increment
5 Allocation Act, by an amount equal to the 1994 equalized
6 assessed value of each taxable lot, block, tract, or parcel of
7 real property in the redevelopment project area over and above
8 the initial equalized assessed value of each property in the
9 redevelopment project area. In the first year after a
10 municipality removes a taxable lot, block, tract, or parcel of
11 real property from a redevelopment project area established
12 under the Tax Increment Allocation Development Act in the
13 Illinois Municipal Code, the Industrial Jobs Recovery Law in
14 the Illinois Municipal Code, or the Economic Development Area
15 Tax Increment Allocation Act, "recovered tax increment value"
16 means the amount of the current year's equalized assessed value
17 of each taxable lot, block, tract, or parcel of real property
18 removed from the redevelopment project area over and above the
19 initial equalized assessed value of that real property before
20 removal from the redevelopment project area.

21 Except as otherwise provided in this Section, "limiting
22 rate" means a fraction the numerator of which is the last
23 preceding aggregate extension base times an amount equal to one
24 plus the extension limitation defined in this Section and the
25 denominator of which is the current year's equalized assessed
26 value of all real property in the territory under the

1 jurisdiction of the taxing district during the prior levy year.
2 For those taxing districts that reduced their aggregate
3 extension for the last preceding levy year, except for school
4 districts that reduced their extension for educational
5 purposes pursuant to Section 18-206, the highest aggregate
6 extension in any of the last 3 preceding levy years shall be
7 used for the purpose of computing the limiting rate. The
8 denominator shall not include new property or the recovered tax
9 increment value. If a new rate, a rate decrease, or a limiting
10 rate increase has been approved at an election held after March
11 21, 2006, then (i) the otherwise applicable limiting rate shall
12 be increased by the amount of the new rate or shall be reduced
13 by the amount of the rate decrease, as the case may be, or (ii)
14 in the case of a limiting rate increase, the limiting rate
15 shall be equal to the rate set forth in the proposition
16 approved by the voters for each of the years specified in the
17 proposition, after which the limiting rate of the taxing
18 district shall be calculated as otherwise provided. In the case
19 of a taxing district that obtained referendum approval for an
20 increased limiting rate on March 20, 2012, the limiting rate
21 for tax year 2012 shall be the rate that generates the
22 approximate total amount of taxes extendable for that tax year,
23 as set forth in the proposition approved by the voters; this
24 rate shall be the final rate applied by the county clerk for
25 the aggregate of all capped funds of the district for tax year
26 2012.

1 (Source: P.A. 99-143, eff. 7-27-15; 99-521, eff. 6-1-17;
2 100-465, eff. 8-31-17.)

3 Section 10. The Illinois Pension Code is amended by
4 changing Sections 1-109.3, 1-113.1, 1-113.2, 1-113.3, 1-113.4,
5 1-113.4a, 1-113.5, 1-113.6, 1-113.7, 3-127, 3-132, 3-135,
6 4-120, 4-123, 4-128, 7-175, and 7-175.1 and by adding Sections
7 1-101.6, 1-101.7, 1-113.05, 1-167, 3-132.1, 3-132.2, 3-132.3,
8 3-132.4, 4-128.1, 4-128.2, 4-128.3, 4-128.4, and 7-199.5 as
9 follows:

10 (40 ILCS 5/1-101.6 new)

11 Sec. 1-101.6. Eligible pension fund. "Eligible pension
12 fund" means: (1) a pension fund established under Article 3 of
13 this Code that (A) the governing body of the municipality for
14 which the pension fund was established has required the pension
15 fund to transfer its investment authority under this Code to
16 the Illinois Municipal Retirement Fund under subsection (b) of
17 Section 3-135 of this Code and (B) has net assets in trust that
18 exceed the threshold amount defined in Section 1-101.7 of this
19 Code; or (2) a pension fund established under Article 4 of this
20 Code that (A) the governing body of the municipality or fire
21 protection district for which the pension fund was established
22 has required the pension fund to transfer its investment
23 authority under this Code to the Illinois Municipal Retirement
24 Fund under subsection (b) of Section 4-128 of this Code and (B)

1 has net assets in trust that exceed the threshold amount
2 defined in Section 1-101.7 of this Code. The status of an
3 "eligible pension fund", once established, continues in effect
4 without regard to subsequent variations in the net assets of
5 the pension fund.

6 (40 ILCS 5/1-101.7 new)

7 Sec. 1-101.7. Threshold amount. "Threshold amount", when
8 used in relation to the financial assets of a pension fund
9 established under Article 3 or Article 4 of this Code, means an
10 amount equal to 3 months of current liabilities of the pension
11 fund, including benefit payments owed to annuitants and
12 beneficiaries of the pension fund and reasonable operational
13 expenses.

14 (40 ILCS 5/1-109.3)

15 Sec. 1-109.3. Training requirement for pension trustees.

16 (a) All elected and appointed trustees under Article 3 and
17 4 of this Code must participate in a mandatory trustee
18 certification training seminar that consists of at least 32
19 hours of initial trustee certification at a training facility
20 that is accredited and affiliated with a State of Illinois
21 certified college or university. This training must include
22 without limitation all of the following:

23 (1) Duties and liabilities of a fiduciary under Article
24 1 of the Illinois Pension Code.

- 1 (2) Adjudication of pension claims.
- 2 (3) Basic accounting and actuarial training.
- 3 (4) Trustee ethics.
- 4 (5) The Illinois Open Meetings Act.
- 5 (6) The Illinois Freedom of Information Act.

6 The training required under this subsection (a) must be
7 completed within the first 2 years after the ~~year that a~~
8 trustee takes office ~~is elected or appointed~~ under an Article 3
9 or 4 pension fund. At least 8 hours of training during the
10 first year of training must cover fiduciary duties and
11 liabilities and trustee ethics. The elected and appointed
12 trustees of an Article 3 or 4 pension fund who are police
13 officers (as defined in Section 3-106 of this Code) or
14 firefighters (as defined in Section 4-106 of this Code) or are
15 employed by the municipality shall be permitted time away from
16 their duties to attend such training without reduction of
17 accrued leave or benefit time. Active or appointed trustees
18 serving on the effective date of this amendatory Act of the
19 96th General Assembly shall not be required to attend the
20 training required under this subsection (a).

21 (b) Upon completion of and in ~~In~~ addition to the initial
22 trustee certification training required under subsection (a),
23 all elected and appointed trustees under Article 3 and 4 of
24 this Code, ~~including trustees serving on the effective date of~~
25 ~~this amendatory Act of the 96th General Assembly,~~ shall also
26 complete at least an additional ~~participate in a minimum of 16~~

1 hours of continuing trustee education during (i) the 2 years
2 following the date by which the training required under
3 subsection (a) must be completed and (ii) every 2 years
4 thereafter. At least 4 hours of training during each year must
5 be devoted to fiduciary duties and liabilities and trustee
6 ethics. At least 8 hours of the biennial training required
7 under this subsection (b) must be in the form of a live lecture
8 or classroom training forum or, if taken in an online training
9 program, must be in an interactive form with ascertainable
10 verification of participation and learning by the trustee in
11 the online training program. The balance of biennial trustee
12 training may take the form of participation in other training
13 opportunities incident to the functioning of the pension board,
14 such as participation in board hearings on the award of
15 disability or other benefits or training opportunities
16 associated with other organizations or employment that are
17 applicable to the duties of a pension fund trustee ~~each year~~
18 ~~after the first year that the trustee is elected or appointed.~~

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

21 (d) Any board member who does not timely complete the
22 training required under this Section is not eligible to serve
23 on the board of trustees of an Article 3 or 4 pension fund,
24 unless the board member completes the missed training within 6
25 months after the date the member failed to complete the
26 required training. In the event of a board member's failure to

1 complete the required training, a successor shall be appointed
2 or elected, as applicable, for the unexpired term. A successor
3 who is elected under such circumstances must be elected at a
4 special election called by the board and conducted in the same
5 manner as a regular election under Article 3 or 4, as
6 applicable.

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

8 (40 ILCS 5/1-113.05 new)

9 Sec. 1-113.05. Transfer of investment authority of
10 eligible pension funds under Article 3 and Article 4.

11 (a) Upon receiving a certified investment asset list from
12 the Department of Insurance in accordance with Section 3-132.1
13 of this Code, the board of trustees of an eligible pension fund
14 established under Article 3 of this Code shall cease investment
15 activities and shall transfer all investment assets of the
16 pension fund to the Board of Trustees of the Illinois Municipal
17 Retirement Fund in the manner prescribed by rules adopted by
18 the Board of Trustees of the Illinois Municipal Retirement
19 Fund. Upon completion of that transfer, the investment
20 authority of the board of trustees of the eligible pension fund
21 shall terminate.

22 (b) Upon receiving a certified investment asset list from
23 the Department of Insurance in accordance with Section 4-128.1
24 of this Code, the board of trustees of an eligible pension fund
25 established under Article 4 of this Code shall cease investment

1 activities and shall transfer all investment assets of the
2 pension fund to the Board of Trustees of the Illinois Municipal
3 Retirement Fund in the manner prescribed by rules adopted by
4 the Board of Trustees of the Illinois Municipal Retirement
5 Fund. Upon completion of that transfer, the investment
6 authority of the board of trustees of the eligible pension fund
7 shall terminate.

8 (40 ILCS 5/1-113.1)

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

11 (a) When the transfer of investment authority of an
12 eligible pension fund, as defined in Section 1-101.6, is made
13 under Section 1-113.05, subsection (b) of this Section does not
14 apply to that eligible pension fund.

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

18 (b) The board of trustees of a police pension fund
19 established under Article 3 of this Code or firefighter pension
20 fund established under Article 4 of this Code shall draw
21 pension funds from the treasurer of the municipality and,
22 beginning January 1, 1998, invest any part thereof in the name
23 of the board in the items listed in Sections 1-113.2 through
24 1-113.4 according to the limitations and requirements of this
25 Article. 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 Interest and any other income from the investments shall be
5 credited to the pension fund.

6 For the purposes of Sections 1-113.2 through 1-113.11, the
7 "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 5/1-113.2)

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

13 (a) When the transfer of investment authority of an
14 eligible pension fund, as defined in Section 1-101.6, is made
15 under Section 1-113.05, subsection (b) of this Section does not
16 apply to that eligible pension fund.

17 (b) Except as provided in subsection (a), any ~~Any~~ pension
18 fund established under Article 3 or 4 may invest in the
19 following items:

20 (1) Interest bearing direct obligations of the United
21 States of America.

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

25 (3) Interest bearing bonds, notes, debentures, or other

1 similar obligations of agencies of the United States of
2 America. For the purposes of this Section, "agencies of the
3 United States of America" includes: (i) the Federal National
4 Mortgage Association and the Student Loan Marketing
5 Association; (ii) federal land banks, federal intermediate
6 credit banks, federal farm credit banks, and any other entity
7 authorized to issue direct debt obligations of the United
8 States of America under the Farm Credit Act of 1971 or
9 amendments to that Act; (iii) federal home loan banks and the
10 Federal Home Loan Mortgage Corporation; and (iv) any agency
11 created by Act of Congress that is authorized to issue direct
12 debt obligations of the United States of America.

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

17 (5) Interest bearing savings accounts or certificates of
18 deposit, issued by State of Illinois chartered banks or savings
19 and loan associations, to the extent that the deposits are
20 insured by agencies or instrumentalities of the federal
21 government.

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

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

26 (8) Pooled interest bearing accounts managed by the

1 Illinois Public Treasurer's Investment Pool in accordance with
2 the Deposit of State Moneys Act, interest bearing funds or
3 pooled accounts of the Illinois Metropolitan Investment Funds,
4 and interest bearing funds or pooled accounts managed,
5 operated, and administered by banks, subsidiaries of banks, or
6 subsidiaries of bank holding companies in accordance with the
7 laws of the State of Illinois.

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

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

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

19 (i) bonds, notes, certificates of indebtedness,
20 treasury bills, or other securities that are guaranteed by
21 the full faith and credit of the United States of America
22 as to principal and interest;

23 (ii) bonds, notes, debentures, or other similar
24 obligations of the United States of America or its
25 agencies; and

26 (iii) short term obligations of corporations organized

1 in the United States with assets exceeding \$400,000,000,
2 provided that (A) the obligations mature no later than 180
3 days from the date of purchase, (B) at the time of
4 purchase, the obligations are rated by at least 2 standard
5 national rating services at one of their 3 highest
6 classifications, and (C) the obligations held by the mutual
7 fund do not exceed 10% of the corporation's outstanding
8 obligations.

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

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

13 (i) separate accounts that are managed by life
14 insurance companies authorized to transact business in
15 Illinois and are comprised of diversified portfolios
16 consisting of common or preferred stocks, bonds, or money
17 market instruments;

18 (ii) separate accounts that are managed by insurance
19 companies authorized to transact business in Illinois, and
20 are comprised of real estate or loans upon real estate
21 secured by first or second mortgages; and

22 (iii) mutual funds that meet the following
23 requirements:

24 (A) the mutual fund is managed by an investment
25 company as defined and registered under the federal
26 Investment Company Act of 1940 and registered under the

1 Illinois Securities Law of 1953;

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

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

6 (D) the mutual fund is comprised of diversified
7 portfolios of common or preferred stocks, bonds, or
8 money market instruments.

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

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

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

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

17 (40 ILCS 5/1-113.3)

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

20 (a) When the transfer of investment authority of an
21 eligible pension fund, as defined in Section 1-101.6, is made
22 under Section 1-113.05, subsection (a-5) of this Section does
23 not apply to that eligible pension fund.

24 (a-5) Except as provided in subsection (a), in ~~(a)~~ In
25 addition to the items in Section 3-113.2, a pension fund

1 established under Article 3 or 4 that has net assets of at
2 least \$2,500,000 may invest a portion of its net assets in the
3 following items:

4 (1) Separate accounts that are managed by life
5 insurance companies authorized to transact business in
6 Illinois and are comprised of diversified portfolios
7 consisting of common or preferred stocks, bonds, or money
8 market instruments.

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

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

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

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

18 (iv) the mutual fund is comprised of diversified
19 portfolios of common or preferred stocks, bonds, or
20 money market instruments.

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

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

1 (40 ILCS 5/1-113.4)

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

4 (a) When the transfer of investment authority of an
5 eligible pension fund, as defined in Section 1-101.6, is made
6 under Section 1-113.05, subsection (a-5) of this Section does
7 not apply to that eligible pension fund.

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

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

24 (2) The securities are of a corporation created or
25 existing under the laws of the United States or any state,

1 district, or territory thereof and the corporation has been
2 in existence for at least 5 years.

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

6 (4) The market value of stock in any one corporation
7 does not exceed 5% of the cash and invested assets of the
8 pension fund, and the investments in the stock of any one
9 corporation do not exceed 5% of the total outstanding stock
10 of that corporation.

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

14 (6) The issuer of the stocks has been subject to the
15 requirements of Section 12 of the federal Securities
16 Exchange Act of 1934 and has been current with the filing
17 requirements of Sections 13 and 14 of that Act during the
18 preceding 3 years.

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

24 (c) 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 times and in the format required by the Division.

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

3 (40 ILCS 5/1-113.4a)

4 Sec. 1-113.4a. List of additional permitted investments
5 for certain Article 3 and 4 pension funds with net assets of
6 \$10,000,000 or more.

7 (a) When the transfer of investment authority of an
8 eligible pension fund, as defined in Section 1-101.6, is made
9 under Section 1-113.05, subsection (a-5) of this Section does
10 not apply to that eligible pension fund.

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

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

19 (1) The common stocks must be listed on a national
20 securities exchange or board of trade (as defined in the
21 Federal Securities Exchange Act of 1934 and set forth in
22 paragraph G of Section 3 of the Illinois Securities Law of
23 1953) or quoted in the National Association of Securities
24 Dealers Automated Quotation System National Market System.

25 (2) The securities must be of a corporation in

1 existence for at least 5 years.

2 (3) The market value of stock in any one corporation
3 may not exceed 5% of the cash and invested assets of the
4 pension fund, and the investments in the stock of any one
5 corporation may not exceed 5% of the total outstanding
6 stock of that corporation.

7 (4) The straight preferred stocks or convertible
8 preferred stocks must be issued or guaranteed by a
9 corporation whose common stock qualifies for investment by
10 the board.

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

12 (1) The mutual fund must be managed by an investment
13 company registered under the Federal Investment Company
14 Act of 1940 and registered under the Illinois Securities
15 Law of 1953.

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

18 (3) The mutual fund must have total net assets of
19 \$250,000,000 or more.

20 (4) The mutual fund must be comprised of a diversified
21 portfolio of common or preferred stocks, bonds, or money
22 market instruments.

23 (d) A pension fund's total investment in the items
24 authorized under this Section and Section 1-113.3 shall not
25 exceed 50% effective July 1, 2011 and 55% effective July 1,
26 2012 of the market value of the pension fund's net present

1 assets stated in its most recent annual report on file with the
2 Department of Insurance.

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

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

8 (40 ILCS 5/1-113.5)

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

11 (a) When the transfer of investment authority of an
12 eligible pension fund, as defined in Section 1-101.6, is made
13 under Section 1-113.05, subsection (a-1) of this Section does
14 not apply to that eligible pension fund.

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

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

24 (1) an investment adviser registered under the federal
25 Investment Advisers Act of 1940 and the Illinois Securities

1 Law of 1953;

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

4 (3) a life insurance company authorized to transact
5 business in Illinois; or

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

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

21 (1) The offeror.

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

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

26 Beginning on July 1, 2008, a person, other than a trustee

1 or an employee of a pension fund or retirement system, may not
2 act as a consultant under this Section unless that person is at
3 least one of the following: (i) registered as an investment
4 adviser under the federal Investment Advisers Act of 1940 (15
5 U.S.C. 80b-1, et seq.); (ii) registered as an investment
6 adviser under the Illinois Securities Law of 1953; (iii) a
7 bank, as defined in the Investment Advisers Act of 1940; or
8 (iv) an insurance company authorized to transact business in
9 this State.

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

15 The contract shall include all of the following:

16 (1) acknowledgement in writing by the investment
17 adviser that he or she is a fiduciary with respect to the
18 pension fund;

19 (2) the board's investment policy;

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

24 (4) a requirement that the investment adviser submit
25 periodic written reports, on at least a quarterly basis,
26 for the board's review at its regularly scheduled meetings.

1 All returns on investment shall be reported as net returns
2 after payment of all fees, commissions, and any other
3 compensation.

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

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

23 A person required to make a disclosure under subsection (d)
24 is also required to disclose direct and indirect fees,
25 commissions, penalties, or other compensation that shall or may
26 be paid by or on behalf of the person in connection with the

1 rendering of those services. The person shall update the
2 disclosure promptly after a modification of those payments or
3 an additional payment.

4 The disclosures required by this subsection shall be in
5 writing and shall include the date and amount of each payment
6 and the name and address of each recipient of a payment.

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

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

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

21 (f) Upon the initial transfer of assets and investment
22 authority of an eligible pension fund under subsection (b) of
23 Section 4-128 of this Code, and thereafter in perpetuity, the
24 Board of Trustees of the Illinois Municipal Retirement Fund
25 shall provide all investment services for that eligible pension
26 fund. Any fees for these services shall be paid from the

1 respective pension funds.

2 The Board of Trustees of the Illinois Municipal Retirement
3 Fund shall not be held liable by or indemnify any individual
4 annuitant or beneficiary of any eligible pension fund
5 established under Article 4 of this Code for nonpayment of
6 benefits by the eligible pension fund.

7 (g) Upon the initial transfer of assets and investment
8 authority of an eligible pension fund under subsection (b) of
9 Section 3-135 of this Code, and thereafter in perpetuity, the
10 Board of Trustees of the Illinois Municipal Retirement Fund
11 shall provide all investment services for that eligible pension
12 fund. Any fees for these services shall be paid from the
13 respective pension funds.

14 The Board of Trustees of the Illinois Municipal Retirement
15 Fund shall not be held liable by or indemnify any individual
16 annuitant or beneficiary of any eligible pension fund
17 established under Article 3 of this Code for nonpayment of
18 benefits by the eligible pension fund.

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

20 (40 ILCS 5/1-113.6)

21 Sec. 1-113.6. Investment policies.

22 (a) Except as provided in subsection (b), every ~~Every~~ board
23 of trustees of a pension fund shall adopt a written investment
24 policy and file a copy of that policy with the Department of
25 Insurance within 30 days after its adoption. Whenever a board

1 changes its investment policy, it shall file a copy of the new
2 policy with the Department within 30 days.

3 (b) Upon the transfer of its investment authority under
4 Section 1-113.05, the requirement to maintain and file an
5 investment policy under subsection (a) ceases to apply to the
6 board of trustees of an eligible pension fund.

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

8 (40 ILCS 5/1-113.7)

9 Sec. 1-113.7. Registration of investments; custody and
10 safekeeping.

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

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

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

25 A dealer may not maintain possession of or control over

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

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

1 of this Section.

2 A bank or trust company authorized to conduct a trust
3 business in Illinois shall register, deposit, or hold
4 investments for safekeeping, all in accordance with the
5 obligations and subject to the limitations of the Securities in
6 Fiduciary Accounts Act.

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

8 (40 ILCS 5/1-167 new)

9 Sec. 1-167. Commission on Government Forecasting and
10 Accountability study.

11 (a) The Commission on Government Forecasting and
12 Accountability shall conduct an analysis of the merits and
13 feasibility of:

14 (1) transitioning the investment authority of all
15 downstate boards of trustees of police pension funds
16 organized under Article 3 to the Illinois Municipal
17 Retirement Fund; the analysis shall include any cost or
18 cost savings associated with establishing the
19 administrative systems and transferring assets for
20 investment management under the Illinois Municipal
21 Retirement Fund; the analysis shall include an examination
22 of the impact of the investment pool, the expected future
23 fund performance of the Illinois Municipal Retirement Fund
24 under the prudent investor rule, the expected future total
25 expense ratio and expenses of the Illinois Municipal

1 Retirement Fund, and any other issues of costs and savings
2 of transition unique to the Illinois Municipal Retirement
3 Fund; the analysis should evaluate the time period in which
4 the transition could reasonably occur, recommend a
5 reasonable transition period, and maintain the present
6 funding requirements of 90% funding by 2040; and

7 (2) transitioning the investment authority of all
8 downstate boards of trustees of firefighters pension funds
9 organized under Article 4 to the Illinois Municipal
10 Retirement Fund; the analysis shall include any cost or
11 cost savings associated with establishing the
12 administrative systems and transferring assets for
13 investment management under the Illinois Municipal
14 Retirement Fund; the analysis shall include an examination
15 of the impact of the investment pool, the expected future
16 fund performance of the Illinois Municipal Retirement Fund
17 under the prudent investor rule, the expected future total
18 expense ratio and expenses of the Illinois Municipal
19 Retirement Fund, and any other issues of costs and savings
20 of transition unique to the Illinois Municipal Retirement
21 Fund; the analysis should evaluate the time period in which
22 the transition could reasonably occur, recommend a
23 reasonable transition period, and maintain the present
24 funding requirements of 90% funding by 2040.

25 (b) As part of the analysis under subsection (a), the
26 Commission shall also:

1 (1) identify which Article 3 and Article 4 pension
2 funds receive employer contributions from home rule or
3 non-home rule units of local government;

4 (2) identify those pension funds, as of the most recent
5 fiscal year, with funded ratios of 20% or below, above 20%
6 but below 30%, above 30% but below 40%, above 40% but below
7 50%, and 50% and above;

8 (3) identify when each Article 3 and Article 4 pension
9 fund was most recently examined and investigated by the
10 Public Pension Division of the Department of Insurance in
11 accordance with Section 1A-104; and

12 (4) identify which Article 3 and Article 4 pension
13 funds are not in compliance with Sections 1A-109, 1A-110,
14 and 1A-111 of this Code.

15 (c) The Commission shall issue a report containing its
16 analysis on or before December 31, 2020.

17 (40 ILCS 5/3-127) (from Ch. 108 1/2, par. 3-127)

18 Sec. 3-127. Reserves.

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

24 If a pension fund has a reserve of less than the accrued
25 liabilities of the fund, the board of the pension fund, in

1 making its annual report to the city council or board of
2 trustees of the municipality, shall designate the amount,
3 calculated as a level percentage of payroll, needed annually to
4 insure the accumulation of the reserve to the level of the
5 fund's accrued liabilities over a period of 40 years from July
6 1, 1993 for pension funds then in operation, or from the date
7 of establishment in the case of a fund created thereafter, so
8 that the necessary reserves will be attained over such a
9 period.

10 (b) In the case of an eligible pension fund under this
11 Article that has transferred its investment authority to the
12 Board of Trustees of the Illinois Municipal Retirement Fund
13 under Section 1-113.05 of this Code, the assets invested by the
14 Board of Trustees of the Illinois Municipal Retirement Fund on
15 behalf of the pension fund, and the dividends and other
16 investment earnings attributable thereto, shall be considered
17 as part of the reserve for the purposes of this Section.

18 The Board of Trustees of the Illinois Municipal Retirement
19 Fund shall report to the board of each such fund, at least
20 annually and upon the reasonable request of an eligible pension
21 fund, the financial information on the invested assets and
22 earnings attributable to that pension fund so that the board
23 may make the determinations required under this Article.

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

25 (40 ILCS 5/3-132) (from Ch. 108 1/2, par. 3-132)

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

2 (a) Except as provided in subsection (a-5), in ~~in~~
3 accordance with the applicable provisions of Articles 1 and 1A
4 and this Article, to control and manage, exclusively, the
5 following:

6 (1) the pension fund,

7 (2) investment expenditures and income, including
8 interest dividends, capital gains and other distributions
9 on the investments, and

10 (3) all money donated, paid, assessed, or provided by
11 law for the pensioning of disabled and retired police
12 officers, their surviving spouses, minor children, and
13 dependent parents.

14 All money received or collected shall be credited by the
15 treasurer of the municipality to the account of the pension
16 fund and held by the treasurer of the municipality subject to
17 the order and control of the board. The treasurer of the
18 municipality shall maintain a record of all money received,
19 transferred, and held for the account of the board.

20 (a-5) In accordance with the applicable provisions of
21 Article 1, Article 1A, and this Article, the board of trustees
22 of an eligible pension fund under this Article shall have the
23 authority to control and manage, exclusively, the following:

24 (1) the pension fund, and

25 (2) all money donated, paid, assessed, or provided by
26 law for the pensioning of disabled and retired police

1 officers, their surviving spouses, minor children, and
2 dependent parents.

3 All money received or collected shall be credited by the
4 treasurer of the municipality to the Illinois Municipal
5 Retirement Fund's account of the pension fund and held by the
6 Illinois Municipal Retirement Fund for purposes of investment
7 in accordance with this Article and Article 7 of this Code.

8 (b) In accordance with rules adopted under Article 7 of
9 this Code, the board of trustees of an eligible pension fund
10 under this Article shall make periodic written application to
11 the Illinois Municipal Retirement Fund for receipt and deposit
12 of reserves into the pension fund. Reserves in the amount of 3
13 months' current liabilities, including annuity and benefit
14 payments and operational expenses owed by the fund, shall be
15 held by the treasurer of the municipality subject to the order
16 and control of the board. The treasurer of the municipality
17 shall maintain a record of all money received, transferred, and
18 held for the account of the board.

19 (c) In case of any dispute that may arise between the board
20 of trustees of any eligible pension fund under this Article and
21 the Illinois Municipal Retirement Fund under subsection (b) of
22 this Section, the board of trustees of the pension fund shall
23 appeal the dispute to the Director of Insurance. If the
24 Director of Insurance finds there exists a good faith dispute
25 between the parties, then the Director of Insurance may hold a
26 hearing in accordance with the rules of the Department of

1 Insurance.

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

3 (40 ILCS 5/3-132.1 new)

4 Sec. 3-132.1. Certified investment asset list.

5 (a) Within 6 months after the Department of Insurance
6 receives the adopting resolution described in subsection (b) of
7 Section 3-135, the Department shall audit the investment assets
8 of the eligible pension fund established under this Article to
9 determine a certified investment asset list. The audit shall be
10 performed by a certified public accountant. The board of
11 trustees of the eligible pension fund shall defray the expense
12 of the audit.

13 (b) Upon completion of the audit, the Department shall
14 provide the certified investment asset list to the eligible
15 pension fund and the Illinois Municipal Retirement Fund. The
16 Department may adopt rules governing the creation and
17 distribution of the certified investment asset list.

18 (40 ILCS 5/3-132.2 new)

19 Sec. 3-132.2. To transfer investment funds. After the
20 initial transfer of assets in accordance with Section 3-132.3
21 of this Code, at each quarterly meeting of the board of
22 trustees of an eligible pension fund under this Article, the
23 board of trustees of the eligible pension fund shall transfer
24 any available funds for investment to the Illinois Municipal

1 Retirement Fund subject to and in accordance with the
2 provisions of this Article and Article 7 of this Code. Each
3 transfer shall be made within 30 days of the end of the fiscal
4 year quarter, and written notice of the transfer shall be given
5 to the Illinois Municipal Retirement Fund subject to and in
6 accordance with the provisions of this Article and Article 7 of
7 this Code.

8 (40 ILCS 5/3-132.3 new)

9 Sec. 3-132.3. Transfer of assets to the Illinois Municipal
10 Retirement Fund.

11 (a) Upon receipt of a certified investment asset list
12 provided under Section 3-132.1 of this Code from an eligible
13 pension fund under this Article, the Illinois Municipal
14 Retirement Fund shall, as soon as practicable, initiate the
15 transfer of assets from the board of trustees of the eligible
16 fund, and the board of trustees of the eligible fund shall
17 transfer to the Illinois Municipal Retirement Fund for
18 management and investment all of its securities, including
19 securities for which commitments have been made, and all funds,
20 assets, or money representing permanent or temporary
21 investments, and cash reserves maintained for the purpose of
22 obtaining income thereon. The Illinois Municipal Retirement
23 Fund shall initiate the transfer of assets by issuing and
24 delivering to the board of trustees of an eligible pension fund
25 an order that sets forth the schedule the eligible pension fund

1 shall follow to effectuate the transfer of assets.

2 (b) Upon the transfer of assets from a board of trustees
3 under this Section, the custody and control of the Illinois
4 Municipal Retirement Fund over the present and future
5 investment assets of the pension fund shall take effect. The
6 transfer shall be receipted for in detail by the chairperson
7 and executive director of the Illinois Municipal Retirement
8 Fund and the receipt shall be provided to the board of trustees
9 of the eligible pension fund within 30 days after the effective
10 date of the transfer.

11 (c) Each board of trustees of an eligible pension fund
12 under this Article shall report to the Illinois Municipal
13 Retirement Fund, at the end of each quarter of the pension
14 fund's fiscal year, the amount of funds available for
15 investment. These amounts shall be transferred within 30 days
16 of the end of the quarter to the Illinois Municipal Retirement
17 Fund in a manner prescribed by the Illinois Municipal
18 Retirement Fund. Notice to the Illinois Municipal Retirement
19 Fund of each transfer shall be given by the eligible pension
20 fund as the transfer occurs.

21 (40 ILCS 5/3-132.4 new)

22 Sec. 3-132.4. Audit of transition. Within 6 months of the
23 completion of the transfer of investment assets from an
24 eligible pension fund in accordance with Section 3-132.3 of
25 this Code to the control of the Illinois Municipal Retirement

1 Fund, the books, records, accounts, and securities of the board
2 shall be audited by a certified public accountant designated by
3 the Auditor General. The audit shall include, but not be
4 limited to, the following: (1) a full description of the
5 investments acquired, showing average costs; (2) a full
6 description of the securities sold or exchanged, showing
7 average proceeds or other conditions of exchange; (3) gains or
8 losses realized during the period; (4) income from investments;
9 (5) administrative expenses of the Illinois Municipal
10 Retirement Fund; and (6) the proportion of administrative
11 expense allocable to each pension fund. The audit shall be
12 published on the Illinois Municipal Retirement Fund's website
13 and filed with the Department of Insurance.

14 (40 ILCS 5/3-135) (from Ch. 108 1/2, par. 3-135)

15 Sec. 3-135. To invest funds and transfer funds.

16 (a) Except as provided in subsection (b), Beginning January
17 1, 1998, the board shall invest funds in accordance with
18 Sections 1-113.1 through 1-113.10 of this Code. Any pension
19 fund under this Article that does not meet the definition of an
20 eligible pension fund under Section 1-101.6 of this Code shall
21 retain the authority to control and manage investment
22 expenditures and income, including interest, dividends,
23 capital gains, and other distributions on the investments.

24 (b) Beginning January 1, 2020, the governing body of a
25 municipality that has a pension fund established under this

1 Article having assets in trust that exceed the threshold amount
2 defined in Section 1-101.7 of this Code may require that
3 pension fund to become an eligible pension fund as defined in
4 Section 1-101.6 of this Code. To require the pension fund to
5 become an eligible pension fund, the governing body of the
6 municipality must adopt a resolution that irrevocably
7 transfers the investment authority under this Code to the Board
8 of Trustees of the Illinois Municipal Retirement Fund. The
9 board of trustees, or its designee, shall provide and deliver
10 to the Department of Insurance, Treasurer, Auditor General, and
11 Illinois Municipal Retirement Fund a copy of the duly adopted
12 resolution within 5 business days after its adoption. The
13 Department of Insurance shall provide and deliver to the board
14 of trustees of the eligible pension fund, Auditor General, and
15 Illinois Municipal Retirement Fund a written acknowledgment of
16 its receipt of the duly adopted resolution and the date that it
17 was received by the Department. A pension fund may become an
18 eligible pension fund only upon the direction of the
19 municipality or fire protection district, as applicable.

20 (c) The board of trustees of an eligible pension fund under
21 this Article that receives a certified investment asset list
22 under Section 3-132.1 shall cease investment activities upon
23 receiving the certified investment asset list and shall
24 transfer all investment assets, minus assets needed to comply
25 with subsection (b) of Section 3-132, to the Illinois Municipal
26 Retirement Fund in the manner prescribed by the rules adopted

1 by the Illinois Municipal Retirement Fund. Upon completion of
2 the transfer described in this subsection, the investment
3 authority of the board of trustees of the eligible pension fund
4 shall terminate under this Article.

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

6 (40 ILCS 5/4-120) (from Ch. 108 1/2, par. 4-120)

7 Sec. 4-120. Reserves.

8 (a) The board shall establish and maintain a reserve to
9 insure the payment of all obligations incurred under this
10 Article. The reserve to be accumulated shall be equal to the
11 estimated total actuarial requirements of the Fund.

12 (b) In the case of an eligible pension fund under this
13 Article that has transferred its investment authority to the
14 Board of Trustees of the Illinois Municipal Retirement Fund,
15 the assets invested by the Board of Trustees of the Illinois
16 Municipal Retirement Fund on behalf of the pension fund, and
17 the dividends and other investment earnings attributable
18 thereto, shall be considered as part of the reserve for the
19 purposes of this Section.

20 The Board of Trustees of the Illinois Municipal Retirement
21 Fund shall report to the board of each such fund, at least
22 annually and upon the reasonable request of an eligible pension
23 fund, the financial information on the invested assets and
24 earnings attributable to that pension fund so that the board
25 may make the determinations required under this Article.

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

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

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

4 (a) Except as provided in subsection (a-5), in ~~in~~
5 accordance with the applicable provisions of Articles 1 and 1A
6 and this Article, the board of trustees of the pension fund
7 shall have the authority to control and manage, exclusively,
8 the following:

9 (1) the pension fund,

10 (2) investment expenditures and income, including
11 interest dividends, capital gains, and other distributions
12 on the investments, and

13 (3) all money donated, paid, assessed, or provided by
14 law for the pensioning of disabled and retired
15 firefighters, their surviving spouses, minor children, and
16 dependent parents.

17 All money received or collected shall be credited by the
18 treasurer of the municipality to the account of the pension
19 fund and held by the treasurer of the municipality subject to
20 the order and control of the board. The treasurer of the
21 municipality shall maintain a record of all money received,
22 transferred, and held for the account of the board.

23 (a-5) In accordance with the applicable provisions of
24 Article 1, 1A, and this Article, the board of trustees of an
25 eligible pension fund under this Article shall have the

1 authority to control and manage, exclusively, the following:

2 (1) the pension fund, and

3 (2) all money donated, paid, assessed, or provided by
4 law for the pensioning of disabled and retired
5 firefighters, their surviving spouses, minor children, and
6 dependent parents.

7 All money received or collected shall be credited by the
8 treasurer of the municipality to the Illinois Municipal
9 Retirement Fund's account of the pension fund and held by the
10 Illinois Municipal Retirement Fund for purposes of investment
11 in accordance with this Article and Article 7 of this Code.

12 (b) In accordance with rules adopted by the Illinois
13 Municipal Retirement Fund, the board of trustees of an eligible
14 pension fund under this Article shall make periodic written
15 application to the Illinois Municipal Retirement Fund for
16 receipt and deposit of reserves into the pension fund. Reserves
17 in the amount of 3 months' current liabilities, including
18 annuity and benefit payments and operational expenses owed by
19 the fund, shall be held by the treasurer of the municipality
20 subject to the order and control of the board. The treasurer of
21 the municipality shall maintain a record of all money received,
22 transferred, and held for the account of the board.

23 (c) In case of any dispute that may arise between the board
24 of trustees of any eligible pension fund under this Article and
25 the Illinois Municipal Retirement Fund under subsection (b) of
26 this Section, the board of trustees of the pension fund shall

1 appeal the dispute to the Director of Insurance. If the
2 Director of Insurance finds there exists a good faith dispute
3 between the parties, then the Director of Insurance may hold a
4 hearing in accordance with the rules of the Department of
5 Insurance.

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

7 (40 ILCS 5/4-128) (from Ch. 108 1/2, par. 4-128)

8 Sec. 4-128. To invest funds and transfer funds.

9 (a) Except as provided in subsection (b), Beginning January
10 1, 1998, the board shall invest funds in accordance with
11 Sections 1-113.1 through 1-113.10 of this Code. Any pension
12 fund under this Article that does not meet the definition of an
13 eligible pension fund under Section 1-101.6 of this Code shall
14 retain the authority to control and manage investment
15 expenditures and income, including interest, dividends,
16 capital gains, and other distributions on the investments.

17 (b) Beginning January 1, 2020, the governing body of a
18 municipality or fire protection district that has a board of
19 trustees of a pension fund established under this Article
20 having assets in trust that exceed the threshold amount defined
21 in Section 1-101.7 of this Code may require the pension fund to
22 become an eligible pension fund as defined in Section 1-101.6
23 of this Code. To require the pension fund to become an eligible
24 pension fund, the governing body of a municipality or fire
25 protection district must adopt a resolution that irrevocably

1 transfers the investment authority under this Code to the Board
2 of Trustees of the Illinois Municipal Retirement Fund. The
3 board of trustees, or its designee, shall provide and deliver
4 to the Department of Insurance, Treasurer, Auditor General, and
5 Illinois Municipal Retirement Fund a copy of the duly adopted
6 resolution within 5 business days after its adoption. The
7 Department of Insurance shall provide and deliver to the board
8 of trustees of the eligible pension fund, Auditor General, and
9 Illinois Municipal Retirement Fund a written acknowledgment of
10 its receipt of the duly adopted resolution and the date that it
11 was received by the Department. A pension fund may become an
12 eligible pension fund only upon the direction of the
13 municipality.

14 (c) The board of trustees of an eligible pension fund under
15 this Article that receives a certified investment asset list
16 under Section 4-128.1 shall cease investment activities upon
17 receiving the certified investment asset list and shall
18 transfer all investment assets, minus assets needed to comply
19 with subsection (b) of Section 4-123, to the Illinois Municipal
20 Retirement Fund in the manner prescribed by the rules adopted
21 by the Illinois Municipal Retirement Fund. Upon completion of
22 the transfer described in this subsection, the investment
23 authority of the board of trustees of the eligible pension fund
24 shall terminate under this Article.

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

1 (40 ILCS 5/4-128.1 new)

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

3 (a) Within 6 months after the Department of Insurance
4 receives the adopting resolution described in subsection (b) of
5 Section 4-128, the Department shall audit the investment assets
6 of the eligible pension fund established under this Article to
7 determine a certified investment asset list. The audit shall be
8 performed by a certified public accountant. The board of
9 trustees of the eligible pension fund shall defray the expense
10 of the audit.

11 (b) Upon completion of the audit, the Department shall
12 provide the certified investment asset list to the eligible
13 pension fund and the Illinois Municipal Retirement Fund. The
14 Department may adopt rules governing the creation and
15 distribution of the certified investment asset list.

16 (40 ILCS 5/4-128.2 new)

17 Sec. 4-128.2. To transfer investment funds. After the
18 initial transfer of assets in accordance with Section 4-128.3
19 of this Code, at each quarterly meeting of the board of
20 trustees of an eligible pension fund under this Article, the
21 board of trustees of the eligible pension fund shall transfer
22 any available funds for investment to the Illinois Municipal
23 Retirement Fund subject to and in accordance with the
24 provisions of this Article and Article 7 of this Code. Each
25 transfer shall be made within 30 days of the end of the fiscal

1 year quarter, and written notice of the transfer shall be given
2 to the Illinois Municipal Retirement Fund subject to and in
3 accordance with the provisions of this Article and Article 7 of
4 this Code.

5 (40 ILCS 5/4-128.3 new)

6 Sec. 4-128.3. Transfer of assets to the Illinois Municipal
7 Retirement Fund.

8 (a) Upon receipt of a certified investment asset list
9 provided under Section 4-128.1 of this Code from an eligible
10 pension fund under this Article, the Illinois Municipal
11 Retirement Fund shall, as soon as practicable, initiate the
12 transfer of assets from the board of trustees of the eligible
13 fund, and the board of trustees of the eligible fund shall
14 transfer to the Illinois Municipal Retirement Fund for
15 management and investment all of its securities, including
16 securities for which commitments have been made, and all funds,
17 assets, or money representing permanent or temporary
18 investments, and cash reserves maintained for the purpose of
19 obtaining income thereon. The Illinois Municipal Retirement
20 Fund shall initiate the transfer of assets by issuing and
21 delivering to the board of trustees of an eligible pension fund
22 an order that sets forth the schedule the eligible pension fund
23 shall follow to effectuate the transfer of assets.

24 (b) Upon the transfer of assets from a board of trustees
25 under this Section, the custody and control of the Illinois

1 Municipal Retirement Fund over the present and future
2 investment assets of the pension fund shall take effect. The
3 transfer shall be receipted for in detail by the chairperson
4 and executive director of the Illinois Municipal Retirement
5 Fund and the receipt shall be provided to the board of trustees
6 of the eligible pension fund within 30 days after the effective
7 date of the transfer.

8 (c) Each board of trustees of an eligible pension fund
9 under this Article shall report to the Illinois Municipal
10 Retirement Fund, at the end of each quarter of the pension
11 fund's fiscal year, the amount of funds available for
12 investment. These amounts shall be transferred within 30 days
13 of the end of the quarter to the Illinois Municipal Retirement
14 Fund in a manner prescribed by the Illinois Municipal
15 Retirement Fund. Notice to the Illinois Municipal Retirement
16 Fund of each transfer shall be given by the eligible pension
17 fund as the transfer occurs.

18 (40 ILCS 5/4-128.4 new)

19 Sec. 4-128.4. Audit of transition. Within 6 months of the
20 completion of the transfer of investment assets from an
21 eligible pension fund in accordance with Section 4-128.3 of
22 this Code to the control of the Illinois Municipal Retirement
23 Fund, the books, records, accounts, and securities of the board
24 shall be audited by a certified public accountant designated by
25 the Auditor General. The audit shall include, but not be

1 limited to, the following: (1) a full description of the
2 investments acquired, showing average costs; (2) a full
3 description of the securities sold or exchanged, showing
4 average proceeds or other conditions of exchange; (3) gains or
5 losses realized during the period; (4) income from investments;
6 (5) administrative expenses of the Illinois Municipal
7 Retirement Fund; and (6) the proportion of administrative
8 expense allocable to each pension fund. The audit shall be
9 published on the Illinois Municipal Retirement Fund's website
10 and filed with the Department of Insurance.

11 (40 ILCS 5/7-175) (from Ch. 108 1/2, par. 7-175)

12 Sec. 7-175. Board elections.

13 (a) During the period beginning on August 1 and ending on
14 September 15 of each year the board shall accept nominations of
15 candidates for election to the trusteeships for terms beginning
16 the next January 1, new trusteeships or vacancies to be filled
17 by election.

18 (b) All nominations shall be by petition. Three petitions
19 for an executive trustee shall be signed by governing bodies of
20 contributing participating municipalities or
21 instrumentalities.

22 A petition for an employee trustee shall be signed by at
23 least 350 participating employees who were participants during
24 July of the current year and who, if their employment status
25 remained unchanged, would be eligible to vote for such

1 candidate at the following election.

2 A petition for an annuitant trustee shall be signed by at
3 least 100 persons who were annuitants of the Fund during July
4 of the current year and who, if their annuitant status remains
5 unchanged, would be eligible to vote for the candidate at the
6 following election.

7 (c) A separate ballot shall be used for each class of
8 trustee and the names of all candidates properly nominated in
9 petitions received by the board shall be placed in alphabetical
10 order upon the proper ballot. Where two employee trustees are
11 elected to a full term in the same year, there shall be one
12 election for the two trusteeships and the two candidates
13 getting the highest number of votes shall be elected.

14 (d) At any election, each contributing participating
15 municipality and participating instrumentality and each
16 contributing participating employee employed by such
17 participating municipality or participating instrumentality
18 during September of any year, shall be entitled to vote as
19 follows:

20 1. The governing body of each such participating
21 municipality and participating instrumentality shall have
22 one vote at any election in which an executive trustee is
23 to be elected, and may cast such vote for any candidate on
24 the executive trustee ballot.

25 2. Each participating employee shall have one vote at
26 any election in which an employee trustee is to be elected,

1 and may cast such vote for any candidate on the employee
2 trustee ballot.

3 3. Each annuitant of the Fund shall have one vote at
4 any election in which an annuitant trustee is to be
5 elected, and may cast that vote for any candidate on the
6 annuitant trustee ballot.

7 4. A vote may be cast for a person not on the ballot by
8 writing in his or her name.

9 (e) The election shall be by ballot pursuant to the rules
10 and regulations established by the board and shall be completed
11 by December 31 of the year. The results shall be entered in the
12 minutes of the meeting of the board following the tally of
13 votes.

14 (f) In case of a tie vote, the candidate employed by or
15 retired from the participating municipality or participating
16 instrumentality having the greatest number of participating
17 employees at the time shall be elected.

18 (g) Notwithstanding any other provision of this Article, if
19 only one candidate is properly nominated in petitions received
20 by the Board, that candidate shall be deemed the winner. In the
21 case of 2 employee trustees elected to a full term in the same
22 year, if only 2 candidates are properly nominated in petitions
23 received by the Board, those 2 candidates shall both be deemed
24 winners. If a candidate is deemed a winner under this
25 paragraph, no election under this Section or Section 7-175.1
26 shall be required.

1 (h) For the purposes of this Section, "annuitant" includes
2 a person who receives an annuity pursuant to Article 3 or 4
3 from an eligible pension fund, as defined in Section 1-101.6.

4 For the purposes of this Section, "contributing
5 participating municipality" includes a municipality that
6 participates under Article 3 or 4 in an eligible pension fund,
7 as defined in Section 1-101.6.

8 For the purposes of this Section, "participating employee"
9 includes a police officer in an eligible pension fund, as
10 defined in Section 1-101.6, under Article 3 or a firefighter in
11 an eligible pension fund, as defined in Section 1-101.6, under
12 Article 4.

13 (Source: P.A. 98-932, eff. 8-15-14.)

14 (40 ILCS 5/7-175.1) (from Ch. 108 1/2, par. 7-175.1)

15 Sec. 7-175.1. Election of employee and annuitant trustees.

16 (a) The board shall prepare and send ballots and ballot
17 envelopes to the employees, including police officers in
18 eligible pension funds, as defined in Section 1-101.6, under
19 Article 3 and firefighters in eligible pension funds, as
20 defined in Section 1-101.6, under Article 4, and annuitants
21 eligible to vote as of September of that year. The ballots
22 shall contain the names of all candidates in alphabetical order
23 and an appropriate place where a name may be written in on the
24 ballot. The ballot envelope shall have on the outside a form of
25 certificate stating that the person voting the ballot is a

1 participating employee or annuitant entitled to vote.

2 (b) Employees and annuitants, upon receipt of the ballot,
3 shall vote the ballot and place it in the ballot envelope, seal
4 the envelope, execute the certificate thereon and return the
5 ballot to the Fund.

6 (c) The board shall set a final date for ballot return, and
7 ballots received prior to that date in a ballot envelope with a
8 properly executed certificate and properly voted, shall be
9 valid ballots.

10 (d) The board shall set a day for counting the ballots and
11 name judges and clerks of election to conduct the count of
12 ballots, and shall make any rules and regulations necessary for
13 the conduct of the count.

14 (e) No election under this Section shall be required if a
15 candidate is deemed the winner under subsection (g) of Section
16 7-175.

17 (f) Nothing in this Section shall preclude the Board from
18 adopting rules that provide for Internet balloting or phone
19 balloting in addition to election by mail under this Section.
20 An Internet or phone ballot cast in accordance with rules
21 adopted under this subsection shall be a valid ballot.

22 (Source: P.A. 100-935, eff. 1-1-19.)

23 (40 ILCS 5/7-199.5 new)

24 Sec. 7-199.5. To control and manage investments of Article
25 3 and Article 4 pension funds. To control and manage the

1 investment expenditures and income, including interest
2 dividends, capital gains, and other distributions on the
3 investments of an eligible pension fund, as defined in Section
4 1-101.6 of this Code, that transferred its investment authority
5 under this Code in accordance with subsection (b) of Section
6 3-135 of this Code or subsection (b) of Section 4-128 of this
7 Code. The Board may adopt rules for the transfer of investment
8 authority and assets and for the control and management of
9 investment expenditures and income.

10 Section 90. The State Mandates Act is amended by adding
11 Section 8.43 as follows:

12 (30 ILCS 805/8.43 new)

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

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

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5	40 ILCS 5/1-101.7 new	
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7	40 ILCS 5/1-113.05 new	
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17	40 ILCS 5/3-127	from Ch. 108 1/2, par. 3-127
18	40 ILCS 5/3-132	from Ch. 108 1/2, par. 3-132
19	40 ILCS 5/3-132.1 new	
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23	40 ILCS 5/3-135	from Ch. 108 1/2, par. 3-135
24	40 ILCS 5/4-120	from Ch. 108 1/2, par. 4-120
25	40 ILCS 5/4-123	from Ch. 108 1/2, par. 4-123

- 1 40 ILCS 5/4-128 from Ch. 108 1/2, par. 4-128
- 2 40 ILCS 5/4-128.1 new
- 3 40 ILCS 5/4-128.2 new
- 4 40 ILCS 5/4-128.3 new
- 5 40 ILCS 5/4-128.4 new
- 6 40 ILCS 5/7-175 from Ch. 108 1/2, par. 7-175
- 7 40 ILCS 5/7-175.1 from Ch. 108 1/2, par. 7-175.1
- 8 40 ILCS 5/7-199.5 new
- 9 30 ILCS 805/8.43 new