



Rep. Arthur Turner

Filed: 5/20/2014

09800SB0452ham001

LRB098 04664 EFG 59795 a

1 AMENDMENT TO SENATE BILL 452

2 AMENDMENT NO. _____. Amend Senate Bill 452 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Pension Code is amended by
5 changing Sections 1-109.1 and 1-109.3 and by adding 1-113.21 as
6 follows:

7 (40 ILCS 5/1-109.1) (from Ch. 108 1/2, par. 1-109.1)

8 Sec. 1-109.1. Allocation and Delegation of Fiduciary
9 Duties.

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

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

1 fund; and

2 (b) Allocate duties among themselves and designate
3 others as fiduciaries to carry out specific fiduciary
4 activities other than the management of the assets of the
5 retirement system or pension fund.

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

22 (3) Pursuant to subsections (h) and (i) of Section 6 of
23 Article VII of the Illinois Constitution, the investment
24 authority of boards of trustees of retirement systems and
25 pension funds established under this Code is declared to be a
26 subject of exclusive State jurisdiction, and the concurrent

1 exercise by a home rule unit of any power affecting such
2 investment authority is hereby specifically denied and
3 preempted.

4 (4) For the purposes of this Code, "emerging investment
5 manager" means a qualified investment adviser that manages an
6 investment portfolio of at least \$10,000,000 but less than
7 \$10,000,000,000 and is a "minority owned business", "female
8 owned business" or "business owned by a person with a
9 disability" as those terms are defined in the Business
10 Enterprise for Minorities, Females, and Persons with
11 Disabilities Act.

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

23 On or before January 1, 2010, a retirement system, pension
24 fund, or investment board subject to this Code, except those
25 whose investments are restricted by Section 1-113.2 of this
26 Code, shall adopt a policy that sets forth goals for

1 utilization of emerging investment managers. This policy shall
2 include quantifiable goals for the management of assets in
3 specific asset classes by emerging investment managers. The
4 retirement system, pension fund, or investment board shall
5 establish 3 separate goals for: (i) emerging investment
6 managers that are minority owned businesses; (ii) emerging
7 investment managers that are female owned businesses; and (iii)
8 emerging investment managers that are businesses owned by a
9 person with a disability. The goals established shall be based
10 on the percentage of total dollar amount of investment service
11 contracts let to minority owned businesses, female owned
12 businesses, and businesses owned by a person with a disability,
13 as those terms are defined in the Business Enterprise for
14 Minorities, Females, and Persons with Disabilities Act. The
15 retirement system, pension fund, or investment board shall
16 annually review the goals established under this subsection.

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

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

4 (5) Each retirement system, pension fund, or investment
5 board subject to this Code, except those whose investments are
6 restricted by Section 1-113.2 of this Code, shall establish a
7 policy that sets forth goals for increasing the racial, ethnic,
8 and gender diversity of its fiduciaries, including its
9 consultants and senior staff. Each system, fund, and investment
10 board shall annually review the goals established under this
11 subsection.

12 (5.1) Each retirement system, pension fund, and investment
13 board established under this Code shall set annual goals
14 regarding the utilization of Illinois-based financial service
15 businesses, including businesses that are minority owned and
16 female owned. Each retirement system, pension fund, and
17 investment board shall maintain information on and report to
18 the Governor and the General Assembly on its utilization of
19 in-state and out-of-state financial service businesses.

20 (6) On or before January 1, 2010, a retirement system,
21 pension fund, or investment board subject to this Code, except
22 those whose investments are restricted by Section 1-113.2 of
23 this Code, shall adopt a policy that sets forth goals for
24 utilization of businesses owned by minorities, females, and
25 persons with disabilities for all contracts and services. The
26 goals established shall be based on the percentage of total

1 dollar amount of all contracts let to minority owned
2 businesses, female owned businesses, and businesses owned by a
3 person with a disability, as those terms are defined in the
4 Business Enterprise for Minorities, Females, and Persons with
5 Disabilities Act. The retirement system, pension fund, or
6 investment board shall annually review the goals established
7 under this subsection.

8 (7) On or before January 1, 2010, a retirement system,
9 pension fund, or investment board subject to this Code, except
10 those whose investments are restricted by Section 1-113.2 of
11 this Code, shall adopt a policy that sets forth goals for
12 increasing the utilization of minority broker-dealers. For the
13 purposes of this Code, "minority broker-dealer" means a
14 qualified broker-dealer who meets the definition of "minority
15 owned business", "female owned business", or "business owned by
16 a person with a disability", as those terms are defined in the
17 Business Enterprise for Minorities, Females, and Persons with
18 Disabilities Act. The retirement system, pension fund, or
19 investment board shall annually review the goals established
20 under this Section.

21 (8) Each retirement system, pension fund, and investment
22 board subject to this Code, except those whose investments are
23 restricted by Section 1-113.2 of this Code, shall submit a
24 report to the Governor and the General Assembly by January 1 of
25 each year that includes the following: (i) the policy adopted
26 under subsection (4) of this Section, including the names and

1 addresses of the emerging investment managers used, percentage
2 of the assets under the investment control of emerging
3 investment managers for the 3 separate goals, and the actions
4 it has undertaken to increase the use of emerging investment
5 managers, including encouraging other investment managers to
6 use emerging investment managers as subcontractors when the
7 opportunity arises; (ii) the policy adopted under subsection
8 (5) of this Section; (iii) the policy adopted under subsection
9 (6) of this Section; and (iv) the policy adopted under
10 subsection (7) of this Section, including specific actions
11 undertaken to increase the use of minority broker-dealers.

12 (9) On or before January 1, 2016, a retirement system,
13 pension fund, or investment board subject to this Code, except
14 those whose investments are restricted by Section 1-113.2 of
15 this Code, shall adopt a policy that sets forth goals for
16 increasing the utilization of minority investment managers.
17 For the purposes of this Code, "minority investment manager"
18 means a qualified investment manager that manages an investment
19 portfolio and meets the definition of "minority owned
20 business", "female owned business", or "business owned by a
21 person with a disability", as those terms are defined in the
22 Business Enterprise for Minorities, Females, and Persons with
23 Disabilities Act. The retirement system, pension fund, or
24 investment board shall establish 3 separate goals for: (i)
25 minority investment managers that are minority owned
26 businesses; (ii) minority investment managers that are female

1 owned businesses; and (iii) minority investment managers that
2 are businesses owned by a person with a disability. The
3 retirement system, pension fund, or investment board shall
4 annually review the goals established under this Section.

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

6 (40 ILCS 5/1-109.3)

7 Sec. 1-109.3. Training requirement for pension trustees
8 and managers.

9 (a) All elected and appointed trustees under Article 3 and
10 4 of this Code must participate in a mandatory trustee
11 certification training seminar that consists of at least 32
12 hours of initial trustee certification at a training facility
13 that is accredited and affiliated with a State of Illinois
14 certified college or university. This training must include
15 without limitation all of the following:

16 (1) Duties and liabilities of a fiduciary under Article
17 1 of the Illinois Pension Code.

18 (2) Adjudication of pension claims.

19 (3) Basic accounting and actuarial training.

20 (4) Trustee ethics.

21 (5) The Illinois Open Meetings Act.

22 (6) The Illinois Freedom of Information Act.

23 The training required under this subsection (a) must be
24 completed within the first year that a trustee is elected or
25 appointed under an Article 3 or 4 pension fund. The elected and

1 appointed trustees of an Article 3 or 4 pension fund who are
2 police officers (as defined in Section 3-106 of this Code) or
3 firefighters (as defined in Section 4-106 of this Code) or are
4 employed by the municipality shall be permitted time away from
5 their duties to attend such training without reduction of
6 accrued leave or benefit time. Active or appointed trustees
7 serving on the effective date of this amendatory Act of the
8 96th General Assembly shall not be required to attend the
9 training required under this subsection (a).

10 (b) In addition to the initial trustee certification
11 training required under subsection (a), all elected and
12 appointed trustees under Article 3 and 4 of this Code,
13 including trustees serving on the effective date of this
14 amendatory Act of the 96th General Assembly, shall also
15 participate in a minimum of 16 hours of continuing trustee
16 education each year after the first year that the trustee is
17 elected or appointed.

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

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

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

6 (e) Beginning January 1, 2015, every current or incoming
7 trustee, Chief Financial Officer, Chief Investment Officer,
8 and Executive Director of any pension fund or retirement system
9 established under any Article of this Code shall receive 10
10 hours of minority and female investment inclusion training,
11 with the oversight of the Senate Public Pensions and State
12 Investments Committee.

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

14 (40 ILCS 5/1-113.21 new)

15 Sec. 1-113.21. Contracts for services.

16 (a) Beginning January 1, 2015, no contract for investment
17 services, consulting services, or commitment to a private
18 market fund shall be awarded by a retirement system, pension
19 fund, or investment board established under this Code unless
20 the investment advisor, consultant, or private market fund
21 first discloses:

22 (1) the number of its investment and senior staff and
23 the percentage of its investment and senior staff who are
24 (i) a minority person, (ii) a female, and (iii) a person
25 with a disability; and

1 (2) the number of contracts for investment services,
2 consulting services, and professional and artistic
3 services that the investment advisor, consultant, or
4 private market fund has with (i) a minority owned business,
5 (ii) a female owned business, or (iii) a business owned by
6 a person with a disability; and

7 (3) the number of contracts for investment services,
8 consulting services, and professional and artistic
9 services the investment advisor, consultant, or private
10 market fund has with a business other than (i) a minority
11 owned business, (ii) a female owned business or (iii) a
12 business owned by a person with a disability, if more than
13 50% of services performed pursuant to the contract are
14 performed by (i) a minority person, (ii) a female, and
15 (iii) a person with a disability; and

16 (4) the total fees paid to each investment advisor,
17 consultant, or private market fund with respect to each
18 particular asset class, including fixed-income
19 investments, alternative investments, direct investments,
20 fund-of-fund investments, and any other pertinent class.

21 (b) The disclosures required by this Section shall be
22 considered, within the bounds of financial and fiduciary
23 prudence, prior to the awarding of a contract for investment
24 services, consulting services, or commitment to a private
25 market fund.

26 (c) For the purposes of this Section, the terms "minority

1 person", "female", "person with a disability", "minority owned
2 business", "female owned business", and "business owned by a
3 person with a disability" have the same meaning as those terms
4 have in the Business Enterprise for Minorities, Females, and
5 Persons with Disabilities Act.

6 (d) For purposes of this Section, the term "private market
7 fund" means any private equity fund, private equity fund of
8 funds, venture capital fund, hedge fund, hedge fund of funds,
9 real estate fund, or other investment vehicle that is not
10 publicly traded.

11 Section 10. The Illinois Prepaid Tuition Act is amended by
12 changing Section 30 as follows:

13 (110 ILCS 979/30)

14 Sec. 30. Investment Advisory Panel duties and
15 responsibilities.

16 (a) Advice and review. The panel shall offer advice and
17 counseling regarding the investments of the Illinois prepaid
18 tuition program with the objective of obtaining the best
19 possible return on investments consistent with actuarial
20 soundness of the program. The panel is required to annually
21 review and advise the Commission on provisions of the strategic
22 investment plan for the prepaid tuition program. The panel is
23 also charged with reviewing and advising the Commission with
24 regard to the annual report that describes the current

1 financial condition of the program. The panel at its own
2 discretion also may advise the Commission on other aspects of
3 the program.

4 (b) Investment plan. The Commission annually shall adopt a
5 comprehensive investment plan for purposes of this Section. The
6 comprehensive investment plan shall specify the investment
7 policies to be utilized by the Commission in its administration
8 of the Illinois Prepaid Tuition Trust Fund created by Section
9 35. The Commission may direct that assets of those Funds be
10 placed in savings accounts or may use the same to purchase
11 fixed or variable life insurance or annuity contracts,
12 securities, evidence of indebtedness, or other investment
13 products pursuant to the comprehensive investment plan and in
14 such proportions as may be designated or approved under that
15 plan. The Commission shall invest such assets with the care,
16 skill, prudence, and diligence under the circumstances then
17 prevailing that a prudent man acting in a like capacity and
18 familiar with such matters would use in the conduct of an
19 enterprise of a like character with like aims, and the
20 Commission shall diversify the investments of such assets so as
21 to minimize the risk of large losses, unless under the
22 circumstances it is clearly prudent not to do so. Those
23 insurance, annuity, savings, and investment products shall be
24 underwritten and offered in compliance with applicable federal
25 and State laws, rules, and regulations by persons who are
26 authorized thereunder to provide those services. The

1 Commission shall delegate responsibility for preparing the
2 comprehensive investment plan to the Executive Director of the
3 Commission. Nothing in this Section shall preclude the
4 Commission from contracting with a private corporation or
5 institution to provide such services as may be a part of the
6 comprehensive investment plan or as may be deemed necessary for
7 implementation of the comprehensive investment plan,
8 including, but not limited to, providing consolidated billing,
9 individual and collective record keeping and accounting, and
10 asset purchase, control, and safekeeping.

11 (b-5) Investment duties. Beginning January 1, 2015, with
12 respect to any investments for which it is responsible under
13 this Section or any other law, the Commission shall be subject
14 to the same requirements as are imposed upon the board of
15 trustees of a retirement system under Sections 1-109.1(5.1),
16 1-109.1(9), 1-109.3(e), and 1-113.21 of the Illinois Pension
17 Code, to the extent that those requirements are not in direct
18 conflict with any other requirement of law to which the
19 Commission is subject.

20 (c) Program management. The Commission may not delegate its
21 management functions, but may arrange to compensate for
22 personalized investment advisory services rendered with
23 respect to any or all of the investments under its control an
24 investment advisor registered under Section 8 of the Illinois
25 Securities Law of 1953 or any bank or other entity authorized
26 by law to provide those services. Nothing contained herein

1 shall preclude the Commission from subscribing to general
2 investment research services available for purchase or use by
3 others. The Commission also shall have authority to compensate
4 for accounting, computing, and other necessary services.

5 (d) Annual report. The Commission shall annually prepare or
6 cause to be prepared a report setting forth in appropriate
7 detail an accounting of all Illinois prepaid tuition program
8 funds and a description of the financial condition of the
9 program at the close of each fiscal year. Included in this
10 report shall be an evaluation by at least one nationally
11 recognized actuary of the financial viability of the program.
12 This report shall be submitted to the Governor, the President
13 of the Senate, the Speaker of the House of Representatives, the
14 Auditor General, and the Board of Higher Education on or before
15 March 1 of the subsequent fiscal year. This report also shall
16 be made available to purchasers of Illinois prepaid tuition
17 contracts and shall contain complete Illinois prepaid tuition
18 contract sales information, including, but not limited to,
19 projected postsecondary enrollment data for qualified
20 beneficiaries.

21 (e) Marketing plan. Selection of a marketing agent for the
22 Illinois prepaid tuition program must be approved by the
23 Commission. At least once every 3 years, the Commission shall
24 solicit proposals for marketing of the Illinois prepaid tuition
25 program in accordance with the Illinois Securities Law of 1953
26 and any applicable provisions of federal law. The entity

1 designated pursuant to this paragraph shall serve as a
2 centralized marketing agent for the program and shall have
3 exclusive responsibility for marketing the program. No
4 contract for marketing the Illinois prepaid tuition program
5 shall extend for longer than 3 years. Any materials produced
6 for the purpose of marketing the program shall be submitted to
7 the Executive Director of the Commission for approval before
8 they are made public. Any eligible institution may distribute
9 marketing materials produced for the program, so long as the
10 Executive Director of the Commission approves the distribution
11 in advance. Neither the State nor the Commission shall be
12 liable for misrepresentation of the program by a marketing
13 agent.

14 (f) Accounting and audit. The Commission shall annually
15 cause to be prepared an accounting of the trust and shall
16 transmit a copy of the accounting to the Governor, the
17 President of the Senate, the Speaker of the House, and the
18 minority leaders of the Senate and House of Representatives.
19 The Commission shall also make available this accounting of the
20 trust to any purchaser of an Illinois prepaid tuition contract,
21 upon request. The accounts of the Illinois prepaid tuition
22 program shall be subject to annual audits by the Auditor
23 General or a certified public accountant appointed by the
24 Auditor General.

25 (Source: P.A. 96-1282, eff. 7-26-10.)".