

1 AN ACT in relation to public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by
5 changing Section 1-109.1 as follows:

6 (40 ILCS 5/1-109.1) (from Ch. 108 1/2, par. 1-109.1)
7 Sec. 1-109.1. Allocation and Delegation of Fiduciary
8 Duties.

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

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

17 (b) Allocate duties among themselves and designate
18 others as fiduciaries to carry out specific fiduciary
19 activities other than the management of the assets of the
20 retirement system or pension fund.

21 (2) The board of trustees of a pension fund established
22 under Article 5, 6, 8, 9, 10, 11, 12 or 17 of this Code may
23 not transfer its investment authority, nor transfer the
24 assets of the fund to any other person or entity for the
25 purpose of consolidating or merging its assets and management
26 with any other pension fund or public investment authority,
27 unless the board resolution authorizing such transfer is
28 submitted for approval to the contributors and pensioners of
29 the fund at elections held not less than 30 days after the
30 adoption of such resolution by the board, and such resolution
31 is approved by a majority of the votes cast on the question

1 in both the contributors election and the pensioners
 2 election. The election procedures and qualifications
 3 governing the election of trustees shall govern the
 4 submission of resolutions for approval under this paragraph,
 5 insofar as they may be made applicable.

6 (3) Pursuant to subsections (h) and (i) of Section 6 of
 7 Article VII of the Illinois Constitution, the investment
 8 authority of boards of trustees of retirement systems and
 9 pension funds established under this Code is declared to be a
 10 subject of exclusive State jurisdiction, and the concurrent
 11 exercise by a home rule unit of any power affecting such
 12 investment authority is hereby specifically denied and
 13 preempted.

14 (4) For the purposes of this Code:

15 "Emerging investment manager" means a qualified
 16 investment adviser that manages an investment portfolio of at
 17 least \$10,000,000 but less than \$400,000,000 on January 1,
 18 1993 and is a minority-owned or female-owned business, as
 19 those terms are defined in this Section. "minority-owned
 20 business" or "female-owned business" as those terms are
 21 defined in the Business Enterprise for Minorities, Females,
 22 and Persons with Disabilities Act.

23 "Minority-owned" means that a business is at least 51%
 24 owned by one or more minority persons or, in the case of a
 25 corporation, that at least 51% of the stock is owned by one
 26 or more minority persons; and that the management and daily
 27 business operations of the business are controlled by one or
 28 more of the minority persons who own it.

29 "Female-owned" means that a business is at least 51%
 30 owned by one or more females or, in the case of a
 31 corporation, that at least 51% of the stock is owned by one
 32 or more females; and that the management and daily business
 33 operations of the business are controlled by one or more of
 34 the females who own it.

1 "Minority person" and "female" have the meanings given
2 them in the Business Enterprise for Minorities, Females, and
3 Persons with Disabilities Act.

4 "Illinois brokerage or investment banking firm" means a
5 brokerage or investment banking firm that is at least 51%
6 owned by one or more persons residing in Illinois or, in the
7 case of a corporation, that operates under articles of
8 incorporation that were originally filed in Illinois.

9 It is hereby declared to be the public policy of the
10 State of Illinois to encourage the trustees of public
11 employee retirement systems to use emerging investment
12 managers in managing their systems' system's assets to the
13 greatest extent feasible within the bounds of financial and
14 fiduciary prudence, and to take affirmative steps to remove
15 any barriers to the full participation of emerging investment
16 managers in investment opportunities afforded by those
17 retirement systems.

18 It is further declared to be the public policy of the
19 State of Illinois to encourage the trustees of public
20 employee retirement systems to use Illinois brokerage and
21 investment banking firms, minority-owned brokerage and
22 investment banking firms, and female-owned brokerage and
23 investment banking firms to the greatest extent feasible
24 within the bounds of financial and fiduciary prudence, and to
25 take affirmative steps to remove any barriers to the full
26 participation of those firms in the investment opportunities
27 afforded by those retirement systems. To this end, the
28 Illinois State Board of Investment and the board of trustees
29 of each retirement system or pension fund established under
30 this Code is strongly urged to allocate its brokerage
31 business, on an annual basis, as follows:

32 (i) At least 30% of its brokerage business to
33 Illinois brokerage or investment banking firms.

34 (ii) At least 25% of its brokerage business to

1 Illinois brokerage or investment banking firms that are
2 minority-owned.

3 (iii) At least 5% of its brokerage business to
4 Illinois brokerage or investment banking firms that are
5 female-owned.

6 (iv) To the extent practicable, at least 25% of its
7 non-Illinois brokerage business to brokerage or
8 investment banking firms that are minority-owned or
9 female-owned.

10 Each retirement system subject to this Code shall prepare
11 a report to be submitted to the Governor and the General
12 Assembly by September 1 of each year. The report shall
13 identify the emerging investment managers, Illinois brokerage
14 and investment banking firms, minority-owned brokerage and
15 investment banking firms, and female-owned brokerage and
16 investment banking firms used by the system, the percentage
17 of the system's assets under the investment control of those
18 emerging--investment managers and firms, and the actions it
19 has undertaken to increase the use of such emerging
20 investment managers and firms, including encouraging other
21 investment managers to use emerging investment managers as
22 subcontractors when the opportunity arises.

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

26 (Source: P.A. 92-16, eff. 6-28-01.)

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