

AN ACT concerning public employee benefits.

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

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

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

Sec. 1-109.1. Allocation and delegation of fiduciary duties.

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

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

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

(2) The board of trustees of a pension fund established under Article 5, 6, 8, 9, 10, 11, 12 or 17 of this Code may not transfer its investment authority, nor transfer the assets of

the fund to any other person or entity for the purpose of consolidating or merging its assets and management with any other pension fund or public investment authority, unless the board resolution authorizing such transfer is submitted for approval to the contributors and pensioners of the fund at elections held not less than 30 days after the adoption of such resolution by the board, and such resolution is approved by a majority of the votes cast on the question in both the contributors election and the pensioners election. The election procedures and qualifications governing the election of trustees shall govern the submission of resolutions for approval under this paragraph, insofar as they may be made applicable.

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

(4) For the purposes of this Code, "emerging investment manager" means a qualified investment adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a "minority-owned business", "women-owned business" or "business owned by a person with a

disability" as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

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

On or before January 1, 2010, a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for utilization of emerging investment managers. This policy shall include quantifiable goals for the management of assets in specific asset classes by emerging investment managers. The retirement system, pension fund, or investment board shall establish 3 separate goals for: (i) emerging investment managers that are minority-owned businesses; (ii) emerging investment managers that are women-owned businesses; and (iii) emerging investment managers that are businesses owned by a

person with a disability. The goals established shall be based on the percentage of total dollar amount of investment service contracts let to minority-owned businesses, women-owned businesses, and businesses owned by a person with a disability, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. The retirement system, pension fund, or investment board shall annually review the goals established under this subsection.

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

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

(5) Each retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall establish a policy that sets forth goals for increasing the racial, ethnic, and gender diversity of its fiduciaries, including its

consultants and senior staff. Each retirement system, pension fund, or investment board shall make its best efforts to ensure that the racial and ethnic makeup of its senior administrative staff represents the racial and ethnic makeup of its membership. Each system, fund, and investment board shall annually review the goals established under this subsection.

(6) On or before January 1, 2010, a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for utilization of businesses owned by minorities, women, and persons with disabilities for all contracts and services. The goals established shall be based on the percentage of total dollar amount of all contracts let to minority-owned businesses, women-owned businesses, and businesses owned by a person with a disability, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. The retirement system, pension fund, or investment board shall annually review the goals established under this subsection.

(7) On or before January 1, 2010, a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for increasing the utilization of minority broker-dealers. For the purposes of this Code, "minority broker-dealer" means a

qualified broker-dealer who meets the definition of "minority-owned business", "women-owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. The retirement system, pension fund, or investment board shall annually review the goals established under this Section.

(8) Each retirement system, pension fund, and investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall submit a report to the Governor and the General Assembly by January 1 of each year that includes the following: (i) the policy adopted under subsection (4) of this Section, including the names and addresses of the emerging investment managers used, percentage of the assets under the investment control of emerging investment managers for the 3 separate goals, and the actions it has undertaken to increase the use of emerging investment managers, including encouraging other investment managers to use emerging investment managers as subcontractors when the opportunity arises; (ii) the policy adopted under subsection (5) of this Section; (iii) the policy adopted under subsection (6) of this Section; (iv) the policy adopted under subsection (7) of this Section, including specific actions undertaken to increase the use of minority broker-dealers; and (v) the policy adopted under subsection (9) of this Section.

(9) On or before February 1, 2015, a retirement system,

pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for increasing the utilization of minority investment managers. For the purposes of this Code, "minority investment manager" means a qualified investment manager that manages an investment portfolio and meets the definition of "minority-owned business", "women-owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

It is hereby declared to be the public policy of the State of Illinois to encourage the trustees of public employee retirement systems, pension funds, and investment boards to use minority investment managers in managing their systems' assets, encompassing all asset classes, and to increase the racial, ethnic, and gender diversity of their fiduciaries, to the greatest extent feasible within the bounds of financial and fiduciary prudence, and to take affirmative steps to remove any barriers to the full participation in investment opportunities afforded by those retirement systems, pension funds, and investment boards.

The retirement system, pension fund, or investment board shall establish 3 separate goals for: (i) minority investment managers that are minority-owned businesses; (ii) minority investment managers that are women-owned businesses; and (iii)

minority investment managers that are businesses owned by a person with a disability. The retirement system, pension fund, or investment board shall annually review the goals established under this Section.

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

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

(10) Beginning January 1, 2016, it shall be the aspirational goal for a retirement system, pension fund, or investment board subject to this Code to use emerging investment managers for not less than 20% of the total funds under management. Furthermore, it shall be the aspirational goal that not less than 20% of investment advisors be minorities, women, and persons with disabilities as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. It shall be the aspirational

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goal to utilize businesses owned by minorities, women, and persons with disabilities for not less than 20% of contracts awarded for "information technology services", "accounting services", "insurance brokers", "architectural and engineering services", and "legal services" as those terms are defined in the Act.

(Source: P.A. 99-462, eff. 8-25-15; 100-391, eff. 8-25-17.)

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