



## 99TH GENERAL ASSEMBLY

### State of Illinois

2015 and 2016

HB5906

by Rep. Michael J. Zalewski

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/22A-109	from Ch. 108 1/2, par. 22A-109
40 ILCS 5/22A-111	from Ch. 108 1/2, par. 22A-111
40 ILCS 5/22A-113.1	from Ch. 108 1/2, par. 22A-113.1
40 ILCS 5/22A-113.2	from Ch. 108 1/2, par. 22A-113.2
40 ILCS 5/22A-113.3	from Ch. 108 1/2, par. 22A-113.3

Amends the Illinois Pension Code. Provides that the Illinois State Board of Investment must appoint and retain a qualified custodian of the board (now, the State Treasurer serves as custodian). Makes conforming changes. Effective immediately.

LRB099 18395 EFG 42770 b

FISCAL NOTE ACT  
MAY APPLY

PENSION IMPACT  
NOTE ACT MAY  
APPLY

1 AN ACT concerning public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by changing  
5 Sections 22A-109, 22A-111, 22A-113.1, 22A-113.2, and 22A-113.3  
6 as follows:

7 (40 ILCS 5/22A-109) (from Ch. 108 1/2, par. 22A-109)

8 Sec. 22A-109. Membership of board. The board shall consist  
9 of the following members:

10 (1) Five trustees appointed by the Governor with the  
11 advice and consent of the Senate who may not hold an  
12 elective State office.

13 (2) The Treasurer.

14 (3) The Comptroller, who shall represent the State  
15 Employees' Retirement System of Illinois.

16 (4) The Chairperson of the General Assembly Retirement  
17 System.

18 (5) The Chairperson of the Judges Retirement System of  
19 Illinois.

20 The appointive members shall serve for terms of 4 years except  
21 that the terms of office of the original appointive members  
22 pursuant to this amendatory Act of the 96th General Assembly  
23 shall be as follows: One member for a term of 1 year; 1 member

1 for a term of 2 years; 1 member for a term of 3 years; and 2  
2 members for a term of 4 years. Vacancies among the appointive  
3 members shall be filled for unexpired terms by appointment in  
4 like manner as for original appointments, and appointive  
5 members shall continue in office until their successors have  
6 been appointed and have qualified.

7 Notwithstanding any provision of this Section to the  
8 contrary, the term of office of each trustee of the Board  
9 appointed by the Governor who is sitting on the Board on the  
10 effective date of this amendatory Act of the 96th General  
11 Assembly is terminated on that effective date. A trustee  
12 sitting on the board on the effective date of this amendatory  
13 Act of the 96th General Assembly may not hold over in office  
14 for more than 60 days after the effective date of this  
15 amendatory Act of the 96th General Assembly. Nothing in this  
16 Section shall prevent the Governor from making a temporary  
17 appointment or nominating a trustee holding office on the day  
18 before the effective date of this amendatory Act of the 96th  
19 General Assembly.

20 Each person appointed to membership shall qualify by taking  
21 an oath of office before the Secretary of State stating that he  
22 will diligently and honestly administer the affairs of the  
23 board and will not violate or knowingly permit the violation of  
24 any provisions of this Article.

25 Members of the board shall receive no salary for service on  
26 the board but shall be reimbursed for travel expenses incurred

1 while on business for the board according to the standards in  
2 effect for members of the Illinois Legislative Research Unit.

3 A majority of the members of the board shall constitute a  
4 quorum. The board shall elect from its membership, biennially,  
5 a Chairman, Vice Chairman and a Recording Secretary. These  
6 officers, together with one other member elected by the board,  
7 shall constitute the executive committee. During the interim  
8 between regular meetings of the board, the executive committee  
9 shall have authority to conduct all business of the board and  
10 shall report such business conducted at the next following  
11 meeting of the board for ratification.

12 No member of the board shall have any interest in any  
13 brokerage fee, commission or other profit or gain arising out  
14 of any investment made by the board. This paragraph does not  
15 preclude ownership by any member of any minority interest in  
16 any common stock or any corporate obligation in which  
17 investment is made by the board.

18 The board shall contract for a blanket fidelity bond in the  
19 penal sum of not less than \$1,000,000.00 to cover members of  
20 the board, the director and all other employees of the board  
21 conditioned for the faithful performance of the duties of their  
22 respective offices, the premium on which shall be paid by the  
23 board. ~~The bond shall be filed with the State Treasurer for~~  
24 ~~safekeeping.~~

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

1 (40 ILCS 5/22A-111) (from Ch. 108 1/2, par. 22A-111)

2 Sec. 22A-111. The Board shall manage the investments of any  
3 pension fund, retirement system, or education fund for the  
4 purpose of obtaining a total return on investments for the long  
5 term. It also shall perform such other functions as may be  
6 assigned or directed by the General Assembly.

7 The authority of the board to manage pension fund  
8 investments and the liability shall begin when there has been a  
9 physical transfer of the pension fund investments to the board  
10 and placed in the custody of the board's custodian ~~State~~  
11 ~~Treasurer~~.

12 The authority of the board to manage monies from the  
13 education fund for investment and the liability of the board  
14 shall begin when there has been a physical transfer of  
15 education fund investments to the board and placed in the  
16 custody of the board's custodian ~~State Treasurer~~.

17 The board may not delegate its management functions, but it  
18 may, but is not required to, arrange to compensate for  
19 personalized investment advisory service for any or all  
20 investments under its control with any national or state bank  
21 or trust company authorized to do a trust business and  
22 domiciled in Illinois, other financial institution organized  
23 under the laws of Illinois, or an investment advisor who is  
24 qualified under Federal Investment Advisors Act of 1940 and is  
25 registered under the Illinois Securities Law of 1953. Nothing  
26 contained herein shall prevent the Board from subscribing to

1 general investment research services available for purchase or  
2 use by others. The Board shall also have the authority to  
3 compensate for accounting services.

4 This Section shall not be construed to prohibit the  
5 Illinois State Board of Investment from directly investing  
6 pension assets in public market investments, private  
7 investments, real estate investments, or other investments  
8 authorized by this Code.

9 (Source: P.A. 96-1554, eff. 3-18-11.)

10 (40 ILCS 5/22A-113.1) (from Ch. 108 1/2, par. 22A-113.1)

11 Sec. 22A-113.1. Investable funds.

12 Each retirement system under the management of the Illinois  
13 State Board of Investment shall report to the board from time  
14 to time the amounts of funds available for investment. These  
15 amounts shall be transferred immediately to the board's  
16 custodian or the custodian's ~~State Treasurer or his~~ authorized  
17 agent for the account of the board to be applied for investment  
18 by the board. Notice to the Illinois State Board of Investment  
19 of each such transfer shall be given by the retirement system  
20 as the transfer occurs.

21 (Source: P.A. 78-646.)

22 (40 ILCS 5/22A-113.2) (from Ch. 108 1/2, par. 22A-113.2)

23 Sec. 22A-113.2. Custodian ~~State Treasurer~~.

24 The securities, funds and other assets transferred to the

1 ~~The~~ Illinois State Board of Investment or otherwise acquired by  
2 the board shall be placed in the custody of the board's  
3 custodian. The custodian shall ~~State Treasurer who shall serve~~  
4 ~~as official custodian of the board,~~ provide adequate safe  
5 deposit facilities therefor and hold all such securities, funds  
6 and other assets subject to the order of the board.

7 As soon as may be practicable, but in no event later than  
8 December 31, 2016, the board shall appoint and retain a  
9 qualified custodian. Until a custodian has been appointed by  
10 the board, the State Treasurer shall serve as official  
11 custodian of the board.

12 The custodian ~~State Treasurer~~ shall furnish a corporate  
13 surety bond of such amount as the board designates, which bond  
14 shall indemnify the board against any loss that may result from  
15 any action or failure to act by the custodian ~~Treasurer~~ or any  
16 of the custodian's ~~his~~ agents. All charges incidental to the  
17 procuring and giving of such bond shall be paid by the board.  
18 The bond shall be in the custody of the board.

19 (Source: P.A. 77-611.)

20 (40 ILCS 5/22A-113.3) (from Ch. 108 1/2, par. 22A-113.3)

21 Sec. 22A-113.3. Investable funds of education foundation.  
22 The Illinois Bank Examiners' Education Foundation shall report  
23 to the board from time to time the amounts of monies available  
24 for investment by the board. These amounts shall be transferred  
25 promptly to the board's custodian or the custodian's ~~State~~

1 ~~Treasurer or his~~ authorized agent for the account of the board  
2 to be applied for investment by the board. Notice to the board  
3 of each such transfer shall be given by the Illinois Bank  
4 Examiners' Education Foundation after the transfer occurs.  
5 (Source: P.A. 84-1127.)

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