



99TH GENERAL ASSEMBLY

State of Illinois

2015 and 2016

SB3317

Introduced 2/19/2016, by Sen. Dan Duffy

SYNOPSIS AS INTRODUCED:

See Index

Amends the Illinois Pension Code. Moves the investment power for eligible downstate police and downstate firefighter pension funds to the Illinois State Board of Investment. Reduces the amount of training required for trustees of those pension funds. Makes conforming changes. Changes all downstate police and firefighter pension funds to a fiscal year beginning May 1. Doubles the annual compliance fee paid by the funds to the Department of Insurance. Requires the Department of Insurance to impose penalties of up to \$2,000 per day for noncompliance with certain provisions relating to the transfer of investment assets. Authorizes emergency rulemaking and amends the Illinois Administrative Procedure Act to add a conforming provision. Amends the State Mandates Act to require implementation without reimbursement.

LRB099 20237 EFG 44707 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 3. The Illinois Administrative Procedure Act is
5 amended by changing Section 5-45 as follows:

6 (5 ILCS 100/5-45) (from Ch. 127, par. 1005-45)

7 Sec. 5-45. Emergency rulemaking.

8 (a) "Emergency" means the existence of any situation that
9 any agency finds reasonably constitutes a threat to the public
10 interest, safety, or welfare.

11 (b) If any agency finds that an emergency exists that
12 requires adoption of a rule upon fewer days than is required by
13 Section 5-40 and states in writing its reasons for that
14 finding, the agency may adopt an emergency rule without prior
15 notice or hearing upon filing a notice of emergency rulemaking
16 with the Secretary of State under Section 5-70. The notice
17 shall include the text of the emergency rule and shall be
18 published in the Illinois Register. Consent orders or other
19 court orders adopting settlements negotiated by an agency may
20 be adopted under this Section. Subject to applicable
21 constitutional or statutory provisions, an emergency rule
22 becomes effective immediately upon filing under Section 5-65 or
23 at a stated date less than 10 days thereafter. The agency's

1 finding and a statement of the specific reasons for the finding
2 shall be filed with the rule. The agency shall take reasonable
3 and appropriate measures to make emergency rules known to the
4 persons who may be affected by them.

5 (c) An emergency rule may be effective for a period of not
6 longer than 150 days, but the agency's authority to adopt an
7 identical rule under Section 5-40 is not precluded. No
8 emergency rule may be adopted more than once in any 24 month
9 period, except that this limitation on the number of emergency
10 rules that may be adopted in a 24 month period does not apply
11 to (i) emergency rules that make additions to and deletions
12 from the Drug Manual under Section 5-5.16 of the Illinois
13 Public Aid Code or the generic drug formulary under Section
14 3.14 of the Illinois Food, Drug and Cosmetic Act, (ii)
15 emergency rules adopted by the Pollution Control Board before
16 July 1, 1997 to implement portions of the Livestock Management
17 Facilities Act, (iii) emergency rules adopted by the Illinois
18 Department of Public Health under subsections (a) through (i)
19 of Section 2 of the Department of Public Health Act when
20 necessary to protect the public's health, (iv) emergency rules
21 adopted pursuant to subsection (n) of this Section, (v)
22 emergency rules adopted pursuant to subsection (o) of this
23 Section, or (vi) emergency rules adopted pursuant to subsection
24 (c-5) of this Section. Two or more emergency rules having
25 substantially the same purpose and effect shall be deemed to be
26 a single rule for purposes of this Section.

1 (c-5) To facilitate the maintenance of the program of group
2 health benefits provided to annuitants, survivors, and retired
3 employees under the State Employees Group Insurance Act of
4 1971, rules to alter the contributions to be paid by the State,
5 annuitants, survivors, retired employees, or any combination
6 of those entities, for that program of group health benefits,
7 shall be adopted as emergency rules. The adoption of those
8 rules shall be considered an emergency and necessary for the
9 public interest, safety, and welfare.

10 (d) In order to provide for the expeditious and timely
11 implementation of the State's fiscal year 1999 budget,
12 emergency rules to implement any provision of Public Act 90-587
13 or 90-588 or any other budget initiative for fiscal year 1999
14 may be adopted in accordance with this Section by the agency
15 charged with administering that provision or initiative,
16 except that the 24-month limitation on the adoption of
17 emergency rules and the provisions of Sections 5-115 and 5-125
18 do not apply to rules adopted under this subsection (d). The
19 adoption of emergency rules authorized by this subsection (d)
20 shall be deemed to be necessary for the public interest,
21 safety, and welfare.

22 (e) In order to provide for the expeditious and timely
23 implementation of the State's fiscal year 2000 budget,
24 emergency rules to implement any provision of Public Act 91-24
25 ~~this amendatory Act of the 91st General Assembly~~ or any other
26 budget initiative for fiscal year 2000 may be adopted in

1 accordance with this Section by the agency charged with
2 administering that provision or initiative, except that the
3 24-month limitation on the adoption of emergency rules and the
4 provisions of Sections 5-115 and 5-125 do not apply to rules
5 adopted under this subsection (e). The adoption of emergency
6 rules authorized by this subsection (e) shall be deemed to be
7 necessary for the public interest, safety, and welfare.

8 (f) In order to provide for the expeditious and timely
9 implementation of the State's fiscal year 2001 budget,
10 emergency rules to implement any provision of Public Act 91-712
11 ~~this amendatory Act of the 91st General Assembly~~ or any other
12 budget initiative for fiscal year 2001 may be adopted in
13 accordance with this Section by the agency charged with
14 administering that provision or initiative, except that the
15 24-month limitation on the adoption of emergency rules and the
16 provisions of Sections 5-115 and 5-125 do not apply to rules
17 adopted under this subsection (f). The adoption of emergency
18 rules authorized by this subsection (f) shall be deemed to be
19 necessary for the public interest, safety, and welfare.

20 (g) In order to provide for the expeditious and timely
21 implementation of the State's fiscal year 2002 budget,
22 emergency rules to implement any provision of Public Act 92-10
23 ~~this amendatory Act of the 92nd General Assembly~~ or any other
24 budget initiative for fiscal year 2002 may be adopted in
25 accordance with this Section by the agency charged with
26 administering that provision or initiative, except that the

1 24-month limitation on the adoption of emergency rules and the
2 provisions of Sections 5-115 and 5-125 do not apply to rules
3 adopted under this subsection (g). The adoption of emergency
4 rules authorized by this subsection (g) shall be deemed to be
5 necessary for the public interest, safety, and welfare.

6 (h) In order to provide for the expeditious and timely
7 implementation of the State's fiscal year 2003 budget,
8 emergency rules to implement any provision of Public Act 92-597
9 ~~this amendatory Act of the 92nd General Assembly~~ or any other
10 budget initiative for fiscal year 2003 may be adopted in
11 accordance with this Section by the agency charged with
12 administering that provision or initiative, except that the
13 24-month limitation on the adoption of emergency rules and the
14 provisions of Sections 5-115 and 5-125 do not apply to rules
15 adopted under this subsection (h). The adoption of emergency
16 rules authorized by this subsection (h) shall be deemed to be
17 necessary for the public interest, safety, and welfare.

18 (i) In order to provide for the expeditious and timely
19 implementation of the State's fiscal year 2004 budget,
20 emergency rules to implement any provision of Public Act 93-20
21 ~~this amendatory Act of the 93rd General Assembly~~ or any other
22 budget initiative for fiscal year 2004 may be adopted in
23 accordance with this Section by the agency charged with
24 administering that provision or initiative, except that the
25 24-month limitation on the adoption of emergency rules and the
26 provisions of Sections 5-115 and 5-125 do not apply to rules

1 adopted under this subsection (i). The adoption of emergency
2 rules authorized by this subsection (i) shall be deemed to be
3 necessary for the public interest, safety, and welfare.

4 (j) In order to provide for the expeditious and timely
5 implementation of the provisions of the State's fiscal year
6 2005 budget as provided under the Fiscal Year 2005 Budget
7 Implementation (Human Services) Act, emergency rules to
8 implement any provision of the Fiscal Year 2005 Budget
9 Implementation (Human Services) Act may be adopted in
10 accordance with this Section by the agency charged with
11 administering that provision, except that the 24-month
12 limitation on the adoption of emergency rules and the
13 provisions of Sections 5-115 and 5-125 do not apply to rules
14 adopted under this subsection (j). The Department of Public Aid
15 may also adopt rules under this subsection (j) necessary to
16 administer the Illinois Public Aid Code and the Children's
17 Health Insurance Program Act. The adoption of emergency rules
18 authorized by this subsection (j) shall be deemed to be
19 necessary for the public interest, safety, and welfare.

20 (k) In order to provide for the expeditious and timely
21 implementation of the provisions of the State's fiscal year
22 2006 budget, emergency rules to implement any provision of
23 Public Act 94-48 ~~this amendatory Act of the 94th General~~
24 ~~Assembly~~ or any other budget initiative for fiscal year 2006
25 may be adopted in accordance with this Section by the agency
26 charged with administering that provision or initiative,

1 except that the 24-month limitation on the adoption of
2 emergency rules and the provisions of Sections 5-115 and 5-125
3 do not apply to rules adopted under this subsection (k). The
4 Department of Healthcare and Family Services may also adopt
5 rules under this subsection (k) necessary to administer the
6 Illinois Public Aid Code, the Senior Citizens and Persons with
7 Disabilities Property Tax Relief Act, the Senior Citizens and
8 Disabled Persons Prescription Drug Discount Program Act (now
9 the Illinois Prescription Drug Discount Program Act), and the
10 Children's Health Insurance Program Act. The adoption of
11 emergency rules authorized by this subsection (k) shall be
12 deemed to be necessary for the public interest, safety, and
13 welfare.

14 (1) In order to provide for the expeditious and timely
15 implementation of the provisions of the State's fiscal year
16 2007 budget, the Department of Healthcare and Family Services
17 may adopt emergency rules during fiscal year 2007, including
18 rules effective July 1, 2007, in accordance with this
19 subsection to the extent necessary to administer the
20 Department's responsibilities with respect to amendments to
21 the State plans and Illinois waivers approved by the federal
22 Centers for Medicare and Medicaid Services necessitated by the
23 requirements of Title XIX and Title XXI of the federal Social
24 Security Act. The adoption of emergency rules authorized by
25 this subsection (1) shall be deemed to be necessary for the
26 public interest, safety, and welfare.

1 (m) In order to provide for the expeditious and timely
2 implementation of the provisions of the State's fiscal year
3 2008 budget, the Department of Healthcare and Family Services
4 may adopt emergency rules during fiscal year 2008, including
5 rules effective July 1, 2008, in accordance with this
6 subsection to the extent necessary to administer the
7 Department's responsibilities with respect to amendments to
8 the State plans and Illinois waivers approved by the federal
9 Centers for Medicare and Medicaid Services necessitated by the
10 requirements of Title XIX and Title XXI of the federal Social
11 Security Act. The adoption of emergency rules authorized by
12 this subsection (m) shall be deemed to be necessary for the
13 public interest, safety, and welfare.

14 (n) In order to provide for the expeditious and timely
15 implementation of the provisions of the State's fiscal year
16 2010 budget, emergency rules to implement any provision of
17 Public Act 96-45 ~~this amendatory Act of the 96th General~~
18 ~~Assembly~~ or any other budget initiative authorized by the 96th
19 General Assembly for fiscal year 2010 may be adopted in
20 accordance with this Section by the agency charged with
21 administering that provision or initiative. The adoption of
22 emergency rules authorized by this subsection (n) shall be
23 deemed to be necessary for the public interest, safety, and
24 welfare. The rulemaking authority granted in this subsection
25 (n) shall apply only to rules promulgated during Fiscal Year
26 2010.

1 (o) In order to provide for the expeditious and timely
2 implementation of the provisions of the State's fiscal year
3 2011 budget, emergency rules to implement any provision of
4 Public Act 96-958 ~~this amendatory Act of the 96th General~~
5 ~~Assembly~~ or any other budget initiative authorized by the 96th
6 General Assembly for fiscal year 2011 may be adopted in
7 accordance with this Section by the agency charged with
8 administering that provision or initiative. The adoption of
9 emergency rules authorized by this subsection (o) is deemed to
10 be necessary for the public interest, safety, and welfare. The
11 rulemaking authority granted in this subsection (o) applies
12 only to rules promulgated on or after the effective date of
13 Public Act 96-958 ~~this amendatory Act of the 96th General~~
14 ~~Assembly~~ through June 30, 2011.

15 (p) In order to provide for the expeditious and timely
16 implementation of the provisions of Public Act 97-689,
17 emergency rules to implement any provision of Public Act 97-689
18 may be adopted in accordance with this subsection (p) by the
19 agency charged with administering that provision or
20 initiative. The 150-day limitation of the effective period of
21 emergency rules does not apply to rules adopted under this
22 subsection (p), and the effective period may continue through
23 June 30, 2013. The 24-month limitation on the adoption of
24 emergency rules does not apply to rules adopted under this
25 subsection (p). The adoption of emergency rules authorized by
26 this subsection (p) is deemed to be necessary for the public

1 interest, safety, and welfare.

2 (q) In order to provide for the expeditious and timely
3 implementation of the provisions of Articles 7, 8, 9, 11, and
4 12 of Public Act 98-104 ~~this amendatory Act of the 98th General
5 Assembly~~, emergency rules to implement any provision of
6 Articles 7, 8, 9, 11, and 12 of Public Act 98-104 ~~this
7 amendatory Act of the 98th General Assembly~~ may be adopted in
8 accordance with this subsection (q) by the agency charged with
9 administering that provision or initiative. The 24-month
10 limitation on the adoption of emergency rules does not apply to
11 rules adopted under this subsection (q). The adoption of
12 emergency rules authorized by this subsection (q) is deemed to
13 be necessary for the public interest, safety, and welfare.

14 (r) In order to provide for the expeditious and timely
15 implementation of the provisions of Public Act 98-651 ~~this
16 amendatory Act of the 98th General Assembly~~, emergency rules to
17 implement Public Act 98-651 ~~this amendatory Act of the 98th
18 General Assembly~~ may be adopted in accordance with this
19 subsection (r) by the Department of Healthcare and Family
20 Services. The 24-month limitation on the adoption of emergency
21 rules does not apply to rules adopted under this subsection
22 (r). The adoption of emergency rules authorized by this
23 subsection (r) is deemed to be necessary for the public
24 interest, safety, and welfare.

25 (s) In order to provide for the expeditious and timely
26 implementation of the provisions of Sections 5-5b.1 and 5A-2 of

1 the Illinois Public Aid Code, emergency rules to implement any
2 provision of Section 5-5b.1 or Section 5A-2 of the Illinois
3 Public Aid Code may be adopted in accordance with this
4 subsection (s) by the Department of Healthcare and Family
5 Services. The rulemaking authority granted in this subsection
6 (s) shall apply only to those rules adopted prior to July 1,
7 2015. Notwithstanding any other provision of this Section, any
8 emergency rule adopted under this subsection (s) shall only
9 apply to payments made for State fiscal year 2015. The adoption
10 of emergency rules authorized by this subsection (s) is deemed
11 to be necessary for the public interest, safety, and welfare.

12 (t) In order to provide for the expeditious and timely
13 implementation of the provisions of Article II of Public Act
14 99-6 ~~this amendatory Act of the 99th General Assembly,~~
15 emergency rules to implement the changes made by Article II of
16 Public Act 99-6 ~~this amendatory Act of the 99th General~~
17 ~~Assembly~~ to the Emergency Telephone System Act may be adopted
18 in accordance with this subsection (t) by the Department of
19 State Police. The rulemaking authority granted in this
20 subsection (t) shall apply only to those rules adopted prior to
21 July 1, 2016. The 24-month limitation on the adoption of
22 emergency rules does not apply to rules adopted under this
23 subsection (t). The adoption of emergency rules authorized by
24 this subsection (t) is deemed to be necessary for the public
25 interest, safety, and welfare.

26 (u) ~~(t)~~ In order to provide for the expeditious and timely

1 implementation of the provisions of the Burn Victims Relief
2 Act, emergency rules to implement any provision of the Act may
3 be adopted in accordance with this subsection (u) ~~(t)~~ by the
4 Department of Insurance. The rulemaking authority granted in
5 this subsection (u) ~~(t)~~ shall apply only to those rules adopted
6 prior to December 31, 2015. The adoption of emergency rules
7 authorized by this subsection (u) ~~(t)~~ is deemed to be necessary
8 for the public interest, safety, and welfare.

9 (v) In order to provide for the expeditious and timely
10 implementation of the provisions of this amendatory Act of the
11 99th General Assembly, emergency rules to implement this
12 amendatory Act may be adopted in accordance with this
13 subsection (v) by the Illinois State Board of Investment. The
14 24-month limitation on the adoption of emergency rules does not
15 apply to rules adopted under this subsection (v). The adoption
16 of emergency rules authorized by this subsection (v) is deemed
17 to be necessary for the public interest, safety, and welfare.

18 (Source: P.A. 98-104, eff. 7-22-13; 98-463, eff. 8-16-13;
19 98-651, eff. 6-16-14; 99-2, eff. 3-26-15; 99-6, eff. 1-1-16;
20 99-143, eff. 7-27-15; 99-455, eff. 1-1-16; revised 10-15-15.)

21 Section 5. The Illinois Pension Code is amended by changing
22 Sections 1-109.3, 1-113.1, 1-113.2, 1-113.3, 1-113.4,
23 1-113.4a, 1-113.5, 1-113.6, 1-113.7, 1A-112, 1A-113, 3-125,
24 3-127, 3-132, 3-135, 4-118, 4-120, 4-123, 4-128, 22A-113,
25 22A-113.1, 22A-115, and by adding Sections 1-101.6, 1-101.7,

1 1-113.05, 1-136, 3-135.1, 3-135.2, 4-123.1, 4-128.1, 4-128.2,
2 22A-110.1, 22A-113.4, and 22A-115.1 as follows:

3 (40 ILCS 5/1-101.6 new)

4 Sec. 1-101.6. Eligible pension fund. "Eligible pension
5 fund" means a pension fund established pursuant to Article 3 or
6 Article 4 of this Code that has net assets in trust that exceed
7 the threshold amount defined in Section 1-101.7 of this Code.
8 The status of "eligible pension fund", once established,
9 continues in effect without regard to subsequent variations in
10 the net assets of the pension fund.

11 (40 ILCS 5/1-101.7 new)

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

19 (40 ILCS 5/1-109.3)

20 Sec. 1-109.3. Training requirement for Article 3 and
21 Article 4 pension trustees.

22 (a) All elected and appointed trustees under Article 3 and
23 4 of this Code must participate in a mandatory trustee

1 certification training seminar that consists of at least 8 ~~32~~
2 hours of initial trustee certification at a training seminar
3 ~~facility~~ that is accredited and affiliated with a State of
4 Illinois certified college or university or approved by the
5 Illinois Department of Insurance. This training must include
6 without limitation both ~~all~~ of the following:

7 (1) Duties and liabilities of a fiduciary under Article
8 1 of the Illinois Pension Code.

9 (2) Duties of a pension board trustee under Article 3
10 or Article 4, as applicable, of the Illinois Pension Code.

11 ~~Adjudication of pension claims.~~

12 ~~(3) Basic accounting and actuarial training.~~

13 ~~(4) Trustee ethics.~~

14 ~~(5) The Illinois Open Meetings Act.~~

15 ~~(6) The Illinois Freedom of Information Act.~~

16 The training required under this subsection (a) must be
17 completed within the first year that a trustee is elected or
18 appointed under an Article 3 or 4 pension fund. The elected and
19 appointed trustees of an Article 3 or 4 pension fund who are
20 police officers (as defined in Section 3-106 of this Code) or
21 firefighters (as defined in Section 4-106 of this Code) or are
22 employed by the municipality shall be permitted time away from
23 their duties to attend such training without reduction of
24 accrued leave or benefit time. Active or appointed trustees
25 serving on the effective date of this amendatory Act of the
26 96th General Assembly shall not be required to attend the

1 training required under this subsection (a).

2 (b) In addition to the initial trustee certification
3 training required under subsection (a), all elected and
4 appointed trustees under Article 3 and 4 of this Code,
5 including trustees serving on the effective date of this
6 amendatory Act of the 99th ~~96th~~ General Assembly, shall also
7 participate in a minimum of 4 ~~16~~ hours of continuing trustee
8 education each year after the first year that the trustee is
9 elected or appointed. The continuing trustee education
10 training must include without limitation both of the following:

11 (1) Duties and liabilities of a fiduciary under Article
12 1 of the Illinois Pension Code.

13 (2) Duties of a pension board trustee under Article 3
14 or Article 4, as applicable, of the Illinois Pension Code.

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

17 (d) Any board member who does not timely complete the
18 training required under this Section is not eligible to serve
19 on the board of trustees of an Article 3 or 4 pension fund,
20 unless the board member completes the missed training within 6
21 months after the date the member failed to complete the
22 required training. In the event of a board member's failure to
23 complete the required training, a successor shall be appointed
24 or elected, as applicable, for the unexpired term. A successor
25 who is elected under such circumstances must be elected at a
26 special election called by the board and conducted in the same

1 manner as a regular election under Article 3 or 4, as
2 applicable.

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

4 (40 ILCS 5/1-113.05 new)

5 Sec. 1-113.05. Transfer of investment authority of certain
6 pension funds established under Article 3 or 4. Upon receiving
7 a certified investment asset list from the Department of
8 Insurance pursuant to Section 3-135.1 or Section 4-128.1 of
9 this Code, the board of trustees of an eligible pension fund
10 established under Article 3 or 4 of this Code shall cease
11 investment activities and shall transfer all investment assets
12 of the pension fund to the Illinois State Board of Investment
13 in the manner prescribed by rules adopted by the Illinois State
14 Board of Investment. Upon completion of that transfer, the
15 investment authority of the board of trustees shall terminate.

16 (40 ILCS 5/1-113.1)

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

19 (a) Beginning 18 months after the effective date of this
20 amendatory Act of the 99th General Assembly, or when the
21 transfer of investment authority is made pursuant to Section
22 1-113.05, whichever occurs first, subsection (b) of this
23 Section does not apply to any pension fund that is an eligible
24 pension fund as defined in Section 1-101.6.

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

4 (b) The board of trustees of a police pension fund
5 established under Article 3 of this Code or firefighter pension
6 fund established under Article 4 of this Code shall draw
7 pension funds from the treasurer of the municipality and,
8 beginning January 1, 1998, invest any part thereof in the name
9 of the board in the items listed in Sections 1-113.2 through
10 1-113.4 according to the limitations and requirements of this
11 Article. These investments shall be made with the care, skill,
12 prudence, and diligence that a prudent person acting in like
13 capacity and familiar with such matters would use in the
14 conduct of an enterprise of like character with like aims.

15 Interest and any other income from the investments shall be
16 credited to the pension fund.

17 For the purposes of Sections 1-113.2 through 1-113.11, the
18 "net assets" of a pension fund include both the cash and
19 invested assets of the pension fund.

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

21 (40 ILCS 5/1-113.2)

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

24 (a) Beginning 18 months after the effective date of this
25 amendatory Act of the 99th General Assembly, or when the

1 transfer of investment authority is made pursuant to Section
2 1-113.05, whichever occurs first, subsection (b) of this
3 Section does not apply to any pension fund that is an eligible
4 pension fund as defined in Section 1-101.6.

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

8 (1) Interest bearing direct obligations of the United
9 States of America.

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

13 (3) Interest bearing bonds, notes, debentures, or other
14 similar obligations of agencies of the United States of
15 America. For the purposes of this Section, "agencies of the
16 United States of America" includes: (i) the Federal National
17 Mortgage Association and the Student Loan Marketing
18 Association; (ii) federal land banks, federal intermediate
19 credit banks, federal farm credit banks, and any other entity
20 authorized to issue direct debt obligations of the United
21 States of America under the Farm Credit Act of 1971 or
22 amendments to that Act; (iii) federal home loan banks and the
23 Federal Home Loan Mortgage Corporation; and (iv) any agency
24 created by Act of Congress that is authorized to issue direct
25 debt obligations of the United States of America.

26 (4) Interest bearing savings accounts or certificates of

1 deposit, issued by federally chartered banks or savings and
2 loan associations, to the extent that the deposits are insured
3 by agencies or instrumentalities of the federal government.

4 (5) Interest bearing savings accounts or certificates of
5 deposit, issued by State of Illinois chartered banks or savings
6 and loan associations, to the extent that the deposits are
7 insured by agencies or instrumentalities of the federal
8 government.

9 (6) Investments in credit unions, to the extent that the
10 investments are insured by agencies or instrumentalities of the
11 federal government.

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

13 (8) Pooled interest bearing accounts managed by the
14 Illinois Public Treasurer's Investment Pool in accordance with
15 the Deposit of State Moneys Act, interest bearing funds or
16 pooled accounts of the Illinois Metropolitan Investment Funds,
17 and interest bearing funds or pooled accounts managed,
18 operated, and administered by banks, subsidiaries of banks, or
19 subsidiaries of bank holding companies in accordance with the
20 laws of the State of Illinois.

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

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

26 (11) Money market mutual funds managed by investment

1 companies that are registered under the federal Investment
2 Company Act of 1940 and the Illinois Securities Law of 1953 and
3 are diversified, open-ended management investment companies;
4 provided that the portfolio of the money market mutual fund is
5 limited to the following:

6 (i) bonds, notes, certificates of indebtedness,
7 treasury bills, or other securities that are guaranteed by
8 the full faith and credit of the United States of America
9 as to principal and interest;

10 (ii) bonds, notes, debentures, or other similar
11 obligations of the United States of America or its
12 agencies; and

13 (iii) short term obligations of corporations organized
14 in the United States with assets exceeding \$400,000,000,
15 provided that (A) the obligations mature no later than 180
16 days from the date of purchase, (B) at the time of
17 purchase, the obligations are rated by at least 2 standard
18 national rating services at one of their 3 highest
19 classifications, and (C) the obligations held by the mutual
20 fund do not exceed 10% of the corporation's outstanding
21 obligations.

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

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

26 (i) separate accounts that are managed by life

1 insurance companies authorized to transact business in
2 Illinois and are comprised of diversified portfolios
3 consisting of common or preferred stocks, bonds, or money
4 market instruments;

5 (ii) separate accounts that are managed by insurance
6 companies authorized to transact business in Illinois, and
7 are comprised of real estate or loans upon real estate
8 secured by first or second mortgages; and

9 (iii) mutual funds that meet the following
10 requirements:

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

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

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

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

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

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

26 (2) If subsequently downgraded below investment grade,

1 the bonds must be liquidated from the portfolio within 90
2 days after being downgraded by the manager.

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

4 (40 ILCS 5/1-113.3)

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

7 (a) Beginning 18 months after the effective date of this
8 amendatory Act of the 99th General Assembly, or when the
9 transfer of investment authority is made pursuant to Section
10 1-113.05, whichever occurs first, subsection (a-5) of this
11 Section does not apply to any pension fund that is an eligible
12 pension fund as defined in Section 1-101.6.

13 (a-5) Except as provided in subsection (a), in ~~(a)~~ In
14 addition to the items in Section 3-113.2, a pension fund
15 established under Article 3 or 4 that has net assets of at
16 least \$2,500,000 may invest a portion of its net assets in the
17 following items:

18 (1) Separate accounts that are managed by life
19 insurance companies authorized to transact business in
20 Illinois and are comprised of diversified portfolios
21 consisting of common or preferred stocks, bonds, or money
22 market instruments.

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

24 (i) the mutual fund is managed by an investment
25 company as defined and registered under the federal

1 Investment Company Act of 1940 and registered under the
2 Illinois Securities Law of 1953;

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

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

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

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

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

16 (40 ILCS 5/1-113.4)

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

19 (a) Beginning 18 months after the effective date of this
20 amendatory Act of the 99th General Assembly, or when the
21 transfer of investment authority is made pursuant to Section
22 1-113.05, whichever occurs first, subsection (a-5) of this
23 Section does not apply to any pension fund that is an eligible
24 pension fund as defined in Section 1-101.6.

25 (a-5) Except as provided in subsection (a), in ~~(a)~~ In

1 addition to the items in Sections 1-113.2 and 1-113.3, a
2 pension fund established under Article 3 or 4 that has net
3 assets of at least \$5,000,000 and has appointed an investment
4 adviser under Section 1-113.5 may, through that investment
5 adviser, invest a portion of its assets in common and preferred
6 stocks authorized for investments of trust funds under the laws
7 of the State of Illinois. The stocks must meet all of the
8 following requirements:

9 (1) The common stocks are listed on a national
10 securities exchange or board of trade (as defined in the
11 federal Securities Exchange Act of 1934 and set forth in
12 Section 3.G of the Illinois Securities Law of 1953) or
13 quoted in the National Association of Securities Dealers
14 Automated Quotation System National Market System (NASDAQ
15 NMS).

16 (2) The securities are of a corporation created or
17 existing under the laws of the United States or any state,
18 district, or territory thereof and the corporation has been
19 in existence for at least 5 years.

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

23 (4) The market value of stock in any one corporation
24 does not exceed 5% of the cash and invested assets of the
25 pension fund, and the investments in the stock of any one
26 corporation do not exceed 5% of the total outstanding stock

1 of that corporation.

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

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

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

15 (c) A pension fund that invests funds under this Section
16 shall electronically file with the Division any reports of its
17 investment activities that the Division may require, at the
18 times and in the format required by the Division.

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

20 (40 ILCS 5/1-113.4a)

21 Sec. 1-113.4a. List of additional permitted investments
22 for certain Article 3 and 4 pension funds with net assets of
23 \$10,000,000 or more.

24 (a) Beginning 18 months after the effective date of this
25 amendatory Act of the 99th General Assembly, or when the

1 transfer of investment authority is made pursuant to Section
2 1-113.05, whichever occurs first, subsection (a-5) of this
3 Section does not apply to any pension fund that is an eligible
4 pension fund as defined in Section 1-101.6.

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

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

13 (1) The common stocks must be listed on a national
14 securities exchange or board of trade (as defined in the
15 Federal Securities Exchange Act of 1934 and set forth in
16 paragraph G of Section 3 of the Illinois Securities Law of
17 1953) or quoted in the National Association of Securities
18 Dealers Automated Quotation System National Market System.

19 (2) The securities must be of a corporation in
20 existence for at least 5 years.

21 (3) The market value of stock in any one corporation
22 may not exceed 5% of the cash and invested assets of the
23 pension fund, and the investments in the stock of any one
24 corporation may not exceed 5% of the total outstanding
25 stock of that corporation.

26 (4) The straight preferred stocks or convertible

1 preferred stocks must be issued or guaranteed by a
2 corporation whose common stock qualifies for investment by
3 the board.

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

5 (1) The mutual fund must be managed by an investment
6 company registered under the Federal Investment Company
7 Act of 1940 and registered under the Illinois Securities
8 Law of 1953.

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

11 (3) The mutual fund must have total net assets of
12 \$250,000,000 or more.

13 (4) The mutual fund must be comprised of a diversified
14 portfolio of common or preferred stocks, bonds, or money
15 market instruments.

16 (d) A pension fund's total investment in the items
17 authorized under this Section and Section 1-113.3 shall not
18 exceed 50% effective July 1, 2011 and 55% effective July 1,
19 2012 of the market value of the pension fund's net present
20 assets stated in its most recent annual report on file with the
21 Department of Insurance.

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

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

1 (40 ILCS 5/1-113.5)

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

4 (a) Beginning 18 months after the effective date of this
5 amendatory Act of the 99th General Assembly, or when the
6 transfer of investment authority is made pursuant to Section
7 1-113.05, whichever occurs first, subsection (a-1) of this
8 Section does not apply to any pension fund that is an eligible
9 pension fund as defined in Section 1-101.6.

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

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

19 (1) an investment adviser registered under the federal
20 Investment Advisers Act of 1940 and the Illinois Securities
21 Law of 1953;

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

24 (3) a life insurance company authorized to transact
25 business in Illinois; or

1 (4) an investment company as defined and registered
2 under the federal Investment Company Act of 1940 and
3 registered under the Illinois Securities Law of 1953.

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

16 (1) The offeror.

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

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

21 Beginning on July 1, 2008, a person, other than a trustee
22 or an employee of a pension fund or retirement system, may not
23 act as a consultant under this Section unless that person is at
24 least one of the following: (i) registered as an investment
25 adviser under the federal Investment Advisers Act of 1940 (15
26 U.S.C. 80b-1, et seq.); (ii) registered as an investment

1 adviser under the Illinois Securities Law of 1953; (iii) a
2 bank, as defined in the Investment Advisers Act of 1940; or
3 (iv) an insurance company authorized to transact business in
4 this State.

5 (b) All investment advice and services provided by an
6 investment adviser or a consultant appointed under this Section
7 shall be rendered pursuant to a written contract between the
8 investment adviser and the board, and in accordance with the
9 board's investment policy.

10 The contract shall include all of the following:

11 (1) acknowledgement in writing by the investment
12 adviser that he or she is a fiduciary with respect to the
13 pension fund;

14 (2) the board's investment policy;

15 (3) full disclosure of direct and indirect fees,
16 commissions, penalties, and any other compensation that
17 may be received by the investment adviser, including
18 reimbursement for expenses; and

19 (4) a requirement that the investment adviser submit
20 periodic written reports, on at least a quarterly basis,
21 for the board's review at its regularly scheduled meetings.
22 All returns on investment shall be reported as net returns
23 after payment of all fees, commissions, and any other
24 compensation.

25 (b-5) Each contract described in subsection (b) shall also
26 include (i) full disclosure of direct and indirect fees,

1 commissions, penalties, and other compensation, including
2 reimbursement for expenses, that may be paid by or on behalf of
3 the investment adviser or consultant in connection with the
4 provision of services to the pension fund and (ii) a
5 requirement that the investment adviser or consultant update
6 the disclosure promptly after a modification of those payments
7 or an additional payment.

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

18 A person required to make a disclosure under subsection (d)
19 is also required to disclose direct and indirect fees,
20 commissions, penalties, or other compensation that shall or may
21 be paid by or on behalf of the person in connection with the
22 rendering of those services. The person shall update the
23 disclosure promptly after a modification of those payments or
24 an additional payment.

25 The disclosures required by this subsection shall be in
26 writing and shall include the date and amount of each payment

1 and the name and address of each recipient of a payment.

2 (c) Within 30 days after appointing an investment adviser
3 or consultant, the board shall submit a copy of the contract to
4 the Division of Insurance of the Department of Financial and
5 Professional Regulation.

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

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

16 (f) Upon the initial transfer of assets and investment
17 authority of an eligible pension fund under subsection (b) of
18 Section 3-135 or subsection (b) of Section 4-128 of this Code,
19 and thereafter in perpetuity, the Illinois State Board of
20 Investment shall provide all investment services for that
21 eligible pension fund.

22 The Illinois State Board of Investment shall not be held
23 liable by or indemnify any individual annuitant or beneficiary
24 of any eligible pension fund established under Article 3 or
25 Article 4 of this Code for nonpayment of benefits by the
26 eligible pension fund.

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

2 (40 ILCS 5/1-113.6)

3 Sec. 1-113.6. Investment policies.

4 (a) Except as provided in subsection (b), every ~~Every~~ board
5 of trustees of a pension fund shall adopt a written investment
6 policy and file a copy of that policy with the Department of
7 Insurance within 30 days after its adoption. Whenever a board
8 changes its investment policy, it shall file a copy of the new
9 policy with the Department within 30 days.

10 (b) Beginning 18 months after the effective date of this
11 amendatory Act of the 99th General Assembly, or upon the
12 transfer of its investment authority under Section 1-113.05,
13 whichever occurs first, the requirement to maintain and file an
14 investment policy under subsection (a) ceases to apply to the
15 board of trustees of an eligible pension fund established under
16 Article 3 or Article 4 of this Code.

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

18 (40 ILCS 5/1-113.7)

19 Sec. 1-113.7. Registration of investments; custody and
20 safekeeping.

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

23 The board of trustees may register the investments of its
24 pension fund in the name of the pension fund, in the nominee

1 name of a bank or trust company authorized to conduct a trust
2 business in Illinois, or in the nominee name of the Illinois
3 Public Treasurer's Investment Pool.

4 The assets of the pension fund and ownership of its
5 investments shall be protected through third-party custodial
6 safekeeping. The board of trustees may appoint as custodian of
7 the investments of its pension fund the treasurer of the
8 municipality, a bank or trust company authorized to conduct a
9 trust business in Illinois, or the Illinois Public Treasurer's
10 Investment Pool.

11 A dealer may not maintain possession of or control over
12 securities of a pension fund subject to the provisions of this
13 Section unless it is registered as a broker-dealer with the
14 U.S. Securities and Exchange Commission and is a member in good
15 standing of the National Association of Securities Dealers, and
16 (1) with respect to securities that are not issued only in
17 book-entry form, (A) all such securities of each fund are
18 either held in safekeeping in a place reasonably free from risk
19 of destruction or held in custody by a securities depository
20 that is a "clearing agency" registered with the U.S. Securities
21 and Exchange Commission, (B) the dealer is a member of the
22 Securities Investor Protection Corporation, (C) the dealer
23 sends to each fund, no less frequently than each calendar
24 quarter, an itemized statement showing the moneys and
25 securities in the custody or possession of the dealer at the
26 end of such period, and (D) an independent certified public

1 accountant conducts an audit, no less frequently than each
2 calendar year, that reviews the dealer's internal accounting
3 controls and procedures for safeguarding securities; and (2)
4 with respect to securities that are issued only in book-entry
5 form, (A) all such securities of each fund are held either in a
6 securities depository that is a "clearing agency" registered
7 with the U.S. Securities and Exchange Commission or in a bank
8 that is a member of the Federal Reserve System, (B) the dealer
9 records the ownership interest of the funds in such securities
10 on the dealer's books and records, (C) the dealer is a member
11 of the Securities Investor Protection Corporation, (D) the
12 dealer sends to each fund, no less frequently than each
13 calendar 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 (E) the dealer's financial statement
16 (which shall contain among other things a statement of the
17 dealer's net capital and its required net capital computed in
18 accordance with Rule 15c3-1 under the Securities Exchange Act
19 of 1934) is audited annually by an independent certified public
20 accountant, and the dealer's most recent audited financial
21 statement is furnished to the fund. No broker-dealer serving as
22 a custodian for any public pension fund as provided by this Act
23 shall be authorized to serve as an investment advisor for that
24 same public pension fund as described in Section 1-101.4 of
25 this Code, to the extent that the investment advisor acquires
26 or disposes of any asset of that same public pension fund.

1 Notwithstanding the foregoing, in no event may a broker or
2 dealer that is a natural person maintain possession of or
3 control over securities or other assets of a pension fund
4 subject to the provisions of this Section. In maintaining
5 securities of a pension fund subject to the provisions of this
6 Section, each dealer must maintain those securities in
7 conformity with the provisions of Rule 15c3-3(b) of the
8 Securities Exchange Act of 1934 (Physical Possession or Control
9 of Securities). The Director of the Department of Insurance may
10 adopt such rules and regulations as shall be necessary and
11 appropriate in his or her judgment to effectuate the purposes
12 of this Section.

13 A bank or trust company authorized to conduct a trust
14 business in Illinois shall register, deposit, or hold
15 investments for safekeeping, all in accordance with the
16 obligations and subject to the limitations of the Securities in
17 Fiduciary Accounts Act.

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

19 (40 ILCS 5/1-136 new)

20 Sec. 1-136. Fiscal year for Article 3 and Article 4 pension
21 funds. For every pension fund established under Article 3 or
22 Article 4 of this Code, by April 30, 2017, the fiscal year of
23 the fund shall be transitioned to a fiscal year ending April
24 30, 2017, so that the fund thereafter operates on a May 1st to
25 April 30th fiscal year.

1 (40 ILCS 5/1A-112)

2 Sec. 1A-112. Fees.

3 (a) Every pension fund that is required to file an annual
4 statement under Section 1A-109 shall pay to the Department an
5 annual compliance fee. In the case of a pension fund under
6 Article 3 or 4 of this Code, the annual compliance fee shall be
7 0.04% ~~0.02%~~ (4 ~~2~~ basis points) of the total assets of the
8 pension fund, as reported in the most current annual statement
9 of the fund, but not more than \$16,000 ~~\$8,000~~. In the case of
10 all other pension funds and retirement systems, the annual
11 compliance fee shall be \$16,000 ~~\$8,000~~.

12 (b) The annual compliance fee shall be due on June 30 for
13 the following State fiscal year, except that the fee payable in
14 1997 for fiscal year 1998 shall be due no earlier than 30 days
15 following the effective date of this amendatory Act of 1997.

16 (c) Any information obtained by the Division that is
17 available to the public under the Freedom of Information Act
18 and is either compiled in published form or maintained on a
19 computer processible medium shall be furnished upon the written
20 request of any applicant and the payment of a reasonable
21 information services fee established by the Director,
22 sufficient to cover the total cost to the Division of
23 compiling, processing, maintaining, and generating the
24 information. The information may be furnished by means of
25 published copy or on a computer processed or computer

1 processible medium.

2 No fee may be charged to any person for information that
3 the Division is required by law to furnish to that person.

4 (d) Except as otherwise provided in this Section, all fees
5 and penalties collected by the Department under this Code shall
6 be deposited into the Public Pension Regulation Fund.

7 (e) Fees collected under subsection (c) of this Section and
8 money collected under Section 1A-107 shall be deposited into
9 the Department's Statistical Services Revolving Fund and
10 credited to the account of the Public Pension Division. This
11 income shall be used exclusively for the purposes set forth in
12 Section 1A-107. Notwithstanding the provisions of Section
13 408.2 of the Illinois Insurance Code, no surplus funds
14 remaining in this account shall be deposited in the Insurance
15 Financial Regulation Fund. All money in this account that the
16 Director certifies is not needed for the purposes set forth in
17 Section 1A-107 of this Code shall be transferred to the Public
18 Pension Regulation Fund.

19 (f) Nothing in this Code prohibits the General Assembly
20 from appropriating funds from the General Revenue Fund to the
21 Department for the purpose of administering or enforcing this
22 Code.

23 (Source: P.A. 93-32, eff. 7-1-03.)

24 (40 ILCS 5/1A-113)

25 Sec. 1A-113. Penalties.

1 (a) A pension fund that fails, without just cause, to file
2 its annual statement within the time prescribed under Section
3 1A-109 shall pay to the Department a penalty to be determined
4 by the Department, which shall not exceed \$100 for each day's
5 delay.

6 (b) A pension fund that fails, without just cause, to file
7 its actuarial statement within the time prescribed under
8 Section 1A-110 or 1A-111 shall pay to the Department a penalty
9 to be determined by the Department, which shall not exceed \$100
10 for each day's delay.

11 (c) A pension fund that fails to pay a fee within the time
12 prescribed under Section 1A-112 shall pay to the Department a
13 penalty of 5% of the amount of the fee for each month or part of
14 a month that the fee is late. The entire penalty shall not
15 exceed 25% of the fee due.

16 (c-5) Whenever the Director determines that a pension fund
17 is not in compliance with Section 3-132, 3-135, 3-135.2, 4-123,
18 4-128.1, or 4-128.2 of this Code:

19 (1) The Director shall notify the pension fund board of
20 trustees in writing of the noncompliance.

21 (2) The board of trustees of the pension fund shall
22 take immediate steps to come into compliance with the
23 applicable provisions of the Code within 15 days of the
24 date of the notice of noncompliance.

25 (3) If the pension fund does not come into compliance
26 with the applicable provisions of the Code within 15 days

1 of the notice, the Department shall assess a penalty of up
2 to \$2,000 per day of noncompliance, to be paid by the Fund
3 within 21 days of the date of the order assessing the
4 penalty.

5 (4) A board so notified and assessed may request a
6 hearing on the noncompliance alleged in the notice within
7 15 days of the notice.

8 Any hearing held under this subsection (c-5) shall be held
9 in accordance with the rules of the Illinois Department of
10 Insurance.

11 (d) This subsection applies to any governmental unit or
12 pension fund, as defined in Section 1A-102, that is subject to
13 any law establishing a pension fund or retirement system for
14 the benefit of employees of the governmental unit.

15 Whenever the Division determines by examination,
16 investigation, or in any other manner that the governing body
17 or any elected or appointed officer or official of a
18 governmental unit has failed to comply with any provision of
19 this Code ~~that law~~:

20 (1) The Director shall notify in writing the governing
21 body, officer, or official of the specific provision or
22 provisions of the law with which the person has failed to
23 comply.

24 (2) Upon receipt of the notice, the person notified
25 shall take immediate steps to comply with the provisions of
26 law specified in the notice.

1 (3) If the person notified fails to comply within a
2 reasonable time after receiving the notice, the Director
3 may hold a hearing at which the person notified may show
4 cause for noncompliance with the law.

5 (4) If upon hearing the Director determines that good
6 and sufficient cause for noncompliance has not been shown,
7 the Director may order the person to submit evidence of
8 compliance within a specified period of not less than 30
9 days.

10 (5) If evidence of compliance has not been submitted to
11 the Director within the period of time prescribed in the
12 order and no administrative appeal from the order has been
13 initiated, the Director may assess a civil penalty of up to
14 \$2,000 against the governing body, officer, or official for
15 each noncompliance with an order of the Director.

16 The Director shall develop by rule, with as much
17 specificity as practicable, the standards and criteria to be
18 used in assessing penalties and their amounts. The standards
19 and criteria shall include, but need not be limited to,
20 consideration of evidence of efforts made in good faith to
21 comply with applicable legal requirements. This rulemaking is
22 subject to the provisions of the Illinois Administrative
23 Procedure Act.

24 If a penalty is not paid within 30 days of the date of
25 assessment, the Director without further notice shall report
26 the act of noncompliance to the Attorney General of this State.

1 It shall be the duty of the Attorney General or, if the
2 Attorney General so designates, the State's Attorney of the
3 county in which the governmental unit is located to apply
4 promptly by complaint on relation of the Director of Insurance
5 in the name of the people of the State of Illinois, as
6 plaintiff, to the circuit court of the county in which the
7 governmental unit is located for enforcement of the penalty
8 prescribed in this subsection or for such additional relief as
9 the nature of the case and the interest of the employees of the
10 governmental unit or the public may require.

11 (e) Whoever knowingly makes a false certificate, entry, or
12 memorandum upon any of the books or papers pertaining to any
13 pension fund or upon any statement, report, or exhibit filed or
14 offered for file with the Division or the Director of Insurance
15 in the course of any examination, inquiry, or investigation,
16 with intent to deceive the Director, the Division, or any of
17 its employees is guilty of a Class A misdemeanor.

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

19 (40 ILCS 5/3-125) (from Ch. 108 1/2, par. 3-125)

20 Sec. 3-125. Financing.

21 (a) The city council or the board of trustees of the
22 municipality shall annually levy a tax upon all the taxable
23 property of the municipality at the rate on the dollar which
24 will produce an amount which, when added to the deductions from
25 the salaries or wages of police officers, and revenues

1 available from other sources, will equal a sum sufficient to
2 meet the annual requirements of the police pension fund. The
3 annual requirements to be provided by such tax levy are equal
4 to (1) the normal cost of the pension fund for the year
5 involved, plus (2) an amount sufficient to bring the total
6 assets of the pension fund up to 90% of the total actuarial
7 liabilities of the pension fund by the end of municipal fiscal
8 year 2040, as annually updated and determined by an enrolled
9 actuary employed by the Illinois Department of Insurance or by
10 an enrolled actuary retained by the pension fund or the
11 municipality. In making these determinations, the required
12 minimum employer contribution shall be calculated each year as
13 a level percentage of payroll over the years remaining up to
14 and including fiscal year 2040 and shall be determined under
15 the entry age normal ~~projected unit credit~~ actuarial cost
16 method and utilizing the rate of return and asset total
17 determined under Article 22A of this Code. The tax shall be
18 levied and collected in the same manner as the general taxes of
19 the municipality, and in addition to all other taxes now or
20 hereafter authorized to be levied upon all property within the
21 municipality, and shall be in addition to the amount authorized
22 to be levied for general purposes as provided by Section 8-3-1
23 of the Illinois Municipal Code, approved May 29, 1961, as
24 amended. The tax shall be forwarded directly to the treasurer
25 of the board within 30 business days after receipt by the
26 county.

1 (b) For purposes of determining the required employer
2 contribution to a pension fund, the value of the pension fund's
3 assets shall be equal to the actuarial value of the pension
4 fund's assets, which shall be calculated as follows:

5 (1) On March 30, 2011, the actuarial value of a pension
6 fund's assets shall be equal to the market value of the
7 assets as of that date.

8 (2) In determining the actuarial value of the System's
9 assets for fiscal years after March 30, 2011, any actuarial
10 gains or losses from investment return incurred in a fiscal
11 year shall be recognized in equal annual amounts over the
12 5-year period following that fiscal year.

13 (c) If a participating municipality fails to transmit to
14 the fund contributions required of it under this Article for
15 more than 90 days after the payment of those contributions is
16 due, the fund may, after giving notice to the municipality,
17 apply to the Director of the Illinois Department of Insurance
18 for intercept. The Illinois Department of Insurance shall
19 certify to the State Comptroller the amounts of the delinquent
20 payments in accordance with any applicable rules of the
21 Illinois Department of Insurance Comptroller, and the
22 Comptroller must, beginning in fiscal year 2016, deduct and
23 remit to the fund the certified amounts or a portion of those
24 amounts from the following proportions of payments of State
25 funds to the municipality:

26 (1) in fiscal year 2016, one-third of the total amount

1 of any payments of State funds to the municipality;

2 (2) in fiscal year 2017, two-thirds of the total amount
3 of any payments of State funds to the municipality; and

4 (3) in fiscal year 2018 and each fiscal year
5 thereafter, the total amount of any payments of State funds
6 to the municipality.

7 The State Comptroller may not deduct from any payments of
8 State funds to the municipality more than the amount of
9 delinquent payments certified to the State Comptroller by the
10 fund.

11 (d) The police pension fund shall consist of the following
12 moneys which shall be set apart by the treasurer of the
13 municipality:

14 (1) All moneys derived from the taxes levied hereunder;

15 (2) Contributions by police officers under Section
16 3-125.1;

17 (3) All moneys accumulated by the municipality under
18 any previous legislation establishing a fund for the
19 benefit of disabled or retired police officers;

20 (4) Donations, gifts or other transfers authorized by
21 this Article.

22 (e) The Commission on Government Forecasting and
23 Accountability shall conduct a study of all funds established
24 under this Article and shall report its findings to the General
25 Assembly on or before January 1, 2013. To the fullest extent
26 possible, the study shall include, but not be limited to, the

1 following:

2 (1) fund balances;

3 (2) historical employer contribution rates for each
4 fund;

5 (3) the actuarial formulas used as a basis for employer
6 contributions, including the actual assumed rate of return
7 for each year, for each fund;

8 (4) available contribution funding sources;

9 (5) the impact of any revenue limitations caused by
10 PTELL and employer home rule or non-home rule status; and

11 (6) existing statutory funding compliance procedures
12 and funding enforcement mechanisms for all municipal
13 pension funds.

14 (Source: P.A. 99-8, eff. 7-9-15.)

15 (40 ILCS 5/3-127) (from Ch. 108 1/2, par. 3-127)

16 Sec. 3-127. Reserves.

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

22 (b) In the case of an eligible pension fund that has
23 transferred its investment authority to the Illinois State
24 Board of Investment under Section 1-113.05 of this Code, the
25 assets invested by the Illinois State Board of Investment on

1 behalf of the pension fund, and the dividends and other
2 investment earnings attributable thereto, shall be considered
3 as part of the reserve for the purposes of this Section.

4 The Illinois State Board of Investment shall report to the
5 board of each such fund at least annually the financial
6 information on the invested assets and earnings attributable to
7 that pension fund so that the board may make the determinations
8 required under this Article.

9 (c) If a pension fund has a reserve of less than the
10 accrued liabilities of the fund, the board of the pension fund,
11 in making its annual report to the city council or board of
12 trustees of the municipality, shall designate the amount,
13 calculated as a level percentage of payroll, needed annually to
14 insure the accumulation of the reserve to the level of the
15 fund's accrued liabilities over a period of 40 years from July
16 1, 1993 for pension funds then in operation, or from the date
17 of establishment in the case of a fund created thereafter, so
18 that the necessary reserves will be attained over such a
19 period.

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

21 (40 ILCS 5/3-132) (from Ch. 108 1/2, par. 3-132)

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

23 (a) In accordance with the applicable provisions of
24 Articles 1 and 1A and this Article, the board of trustees of
25 the pension fund shall have the authority to control and

1 manage, exclusively, the following:

2 (1) the pension fund, and

3 ~~(2) investment expenditures and income, including~~
4 ~~interest dividends, capital gains and other distributions~~
5 ~~on the investments, and~~

6 (2) (3) all money donated, paid, assessed, or provided
7 by law for the pensioning of disabled and retired police
8 officers, their surviving spouses, minor children, and
9 dependent parents. All such money received or collected
10 shall be credited by the treasurer of the municipality to
11 the State Treasurer's account of the pension fund and held
12 by the State for purposes of investment pursuant to Article
13 22A of this Code.

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

25 (c) In case of any dispute that may arise between the board
26 of trustees of the eligible pension fund and the Illinois State

1 Board of Investment pursuant to subsection (b) of this Section,
2 the board of trustees of the eligible pension fund shall appeal
3 the dispute to the Director of the Illinois Department of
4 Insurance. If the Director finds that there exists a good faith
5 dispute between the parties, the Director may hold a hearing in
6 accordance with the rules of the Illinois Department of
7 Insurance.

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

9 (40 ILCS 5/3-135) (from Ch. 108 1/2, par. 3-135)

10 Sec. 3-135. To invest, manage, and transfer funds.

11 (a) Except as provided in subsection (b), Beginning January
12 1, 1998, the board shall invest funds in accordance with
13 Sections 1-113.1 through 1-113.10 of this Code.

14 Any pension fund that does not meet the definition of
15 eligible pension fund under Section 1-101.6 of this Code shall
16 retain the authority to control and manage investment
17 expenditures and income, including interest, dividends,
18 capital gains, and other distributions on the investments.

19 (b) The board of an eligible pension fund that receives a
20 certified investment asset list under Section 3-135.1 shall
21 cease investment activities upon receiving the certified
22 investment asset list and shall transfer all investment assets,
23 minus assets needed to comply with subsection (b) of Section
24 3-132, to the Illinois State Board of Investment in the manner
25 prescribed by rules adopted by the Illinois State Board of

1 Investment under Article 22A. Upon completion of the transfer
2 described in this subsection, the investment authority of the
3 board shall terminate.

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

5 (40 ILCS 5/3-135.1 new)

6 Sec. 3-135.1. Certified investment asset list.

7 (a) Within 18 months of the effective date of this
8 amendatory Act of the 99th General Assembly, the Department of
9 Insurance shall audit the investment assets of each eligible
10 pension fund established under this Article to determine a
11 certified investment asset list. The audit shall be performed
12 by a certified public accountant. The board of the pension fund
13 shall defray the expense of the audit.

14 (b) Upon completion of the audit, the Department shall
15 provide the certified investment asset list to the eligible
16 pension fund and the Illinois State Board of Investment. The
17 Department may adopt rules governing the g=creation and
18 distribution of the certified investment asset list.

19 (40 ILCS 5/3-135.2 new)

20 Sec. 3-135.2. To transfer investment funds. At each
21 quarterly meeting of the Board, the Board of trustees of any
22 eligible pension fund shall transfer any available funds for
23 investment to the Illinois State Board of Investment in
24 accordance with provisions of Article 22A of this Code. Each

1 transfer shall be made within 30 days of the end of the fiscal
2 year quarter and written notice of the transfer shall be given
3 to the Illinois State Board of Investment.

4 (40 ILCS 5/4-118) (from Ch. 108 1/2, par. 4-118)

5 Sec. 4-118. Financing.

6 (a) The city council or the board of trustees of the
7 municipality shall annually levy a tax upon all the taxable
8 property of the municipality at the rate on the dollar which
9 will produce an amount which, when added to the deductions from
10 the salaries or wages of firefighters and revenues available
11 from other sources, will equal a sum sufficient to meet the
12 annual actuarial requirements of the pension fund, as
13 determined by an enrolled actuary employed by the Illinois
14 Department of Insurance or by an enrolled actuary retained by
15 the pension fund or municipality. For the purposes of this
16 Section, the annual actuarial requirements of the pension fund
17 are equal to (1) the normal cost of the pension fund, or 17.5%
18 of the salaries and wages to be paid to firefighters for the
19 year involved, whichever is greater, plus (2) an annual amount
20 sufficient to bring the total assets of the pension fund up to
21 90% of the total actuarial liabilities of the pension fund by
22 the end of municipal fiscal year 2040, as annually updated and
23 determined by an enrolled actuary employed by the Illinois
24 Department of Insurance or by an enrolled actuary retained by
25 the pension fund or the municipality. In making these

1 determinations, the required minimum employer contribution
2 shall be calculated each year as a level percentage of payroll
3 over the years remaining up to and including fiscal year 2040
4 and shall be determined under the entry age normal ~~projected~~
5 ~~unit credit~~ actuarial cost method and utilizing the rate of
6 return and asset total determined under Article 22A of this
7 Code. The amount to be applied towards the amortization of the
8 unfunded accrued liability in any year shall not be less than
9 the annual amount required to amortize the unfunded accrued
10 liability, including interest, as a level percentage of payroll
11 over the number of years remaining in the 40 year amortization
12 period.

13 (a-5) For purposes of determining the required employer
14 contribution to a pension fund, the value of the pension fund's
15 assets shall be equal to the actuarial value of the pension
16 fund's assets, which shall be calculated as follows:

17 (1) On March 30, 2011, the actuarial value of a pension
18 fund's assets shall be equal to the market value of the
19 assets as of that date.

20 (2) In determining the actuarial value of the pension
21 fund's assets for fiscal years after March 30, 2011, any
22 actuarial gains or losses from investment return incurred
23 in a fiscal year shall be recognized in equal annual
24 amounts over the 5-year period following that fiscal year.

25 (b) The tax shall be levied and collected in the same
26 manner as the general taxes of the municipality, and shall be

1 in addition to all other taxes now or hereafter authorized to
2 be levied upon all property within the municipality, and in
3 addition to the amount authorized to be levied for general
4 purposes, under Section 8-3-1 of the Illinois Municipal Code or
5 under Section 14 of the Fire Protection District Act. The tax
6 shall be forwarded directly to the treasurer of the board
7 within 30 business days of receipt by the county (or, in the
8 case of amounts added to the tax levy under subsection (f),
9 used by the municipality to pay the employer contributions
10 required under subsection (b-1) of Section 15-155 of this
11 Code).

12 (b-5) If a participating municipality fails to transmit to
13 the fund contributions required of it under this Article for
14 more than 90 days after the payment of those contributions is
15 due, the fund may, after giving notice to the municipality,
16 apply to the Director of the Illinois Department of Insurance
17 for intercept. The Illinois Department of Insurance shall
18 certify to the State Comptroller the amounts of the delinquent
19 payments in accordance with any applicable rules of the
20 Illinois Department of Insurance Comptroller, and the
21 Comptroller must, beginning in fiscal year 2016, deduct and
22 remit to the fund the certified amounts or a portion of those
23 amounts from the following proportions of payments of State
24 funds to the municipality:

25 (1) in fiscal year 2016, one-third of the total amount
26 of any payments of State funds to the municipality;

1 (2) in fiscal year 2017, two-thirds of the total amount
2 of any payments of State funds to the municipality; and

3 (3) in fiscal year 2018 and each fiscal year
4 thereafter, the total amount of any payments of State funds
5 to the municipality.

6 The State Comptroller may not deduct from any payments of
7 State funds to the municipality more than the amount of
8 delinquent payments certified to the State Comptroller by the
9 fund.

10 (c) The board shall make available to the membership and
11 the general public for inspection and copying at reasonable
12 times the most recent Actuarial Valuation Balance Sheet and Tax
13 Levy Requirement issued to the fund by the Department of
14 Insurance.

15 (d) The firefighters' pension fund shall consist of the
16 following moneys which shall be set apart by the treasurer of
17 the municipality: (1) all moneys derived from the taxes levied
18 hereunder; (2) contributions by firefighters as provided under
19 Section 4-118.1; (3) all rewards in money, fees, gifts, and
20 emoluments that may be paid or given for or on account of
21 extraordinary service by the fire department or any member
22 thereof, except when allowed to be retained by competitive
23 awards; and (4) any money, real estate or personal property
24 received by the board.

25 (e) For the purposes of this Section, "enrolled actuary"
26 means an actuary: (1) who is a member of the Society of

1 Actuaries or the American Academy of Actuaries; and (2) who is
2 enrolled under Subtitle C of Title III of the Employee
3 Retirement Income Security Act of 1974, or who has been engaged
4 in providing actuarial services to one or more public
5 retirement systems for a period of at least 3 years as of July
6 1, 1983.

7 (f) The corporate authorities of a municipality that
8 employs a person who is described in subdivision (d) of Section
9 4-106 may add to the tax levy otherwise provided for in this
10 Section an amount equal to the projected cost of the employer
11 contributions required to be paid by the municipality to the
12 State Universities Retirement System under subsection (b-1) of
13 Section 15-155 of this Code.

14 (g) The Commission on Government Forecasting and
15 Accountability shall conduct a study of all funds established
16 under this Article and shall report its findings to the General
17 Assembly on or before January 1, 2013. To the fullest extent
18 possible, the study shall include, but not be limited to, the
19 following:

20 (1) fund balances;

21 (2) historical employer contribution rates for each
22 fund;

23 (3) the actuarial formulas used as a basis for employer
24 contributions, including the actual assumed rate of return
25 for each year, for each fund;

26 (4) available contribution funding sources;

1 (5) the impact of any revenue limitations caused by
2 PTELL and employer home rule or non-home rule status; and

3 (6) existing statutory funding compliance procedures
4 and funding enforcement mechanisms for all municipal
5 pension funds.

6 (Source: P.A. 99-8, eff. 7-9-15.)

7 (40 ILCS 5/4-120) (from Ch. 108 1/2, par. 4-120)

8 Sec. 4-120. Reserves.

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

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

20 The Illinois State Board of Investment shall report to the
21 board of each such fund at least annually the financial
22 information on the invested assets and earnings to that pension
23 fund so that the board may make the determinations required
24 under this Article.

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

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

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

3 (a) In accordance with the applicable provisions of
4 Articles 1 and 1A and this Article the board of trustees of the
5 pension fund shall have the authority, to control and manage,
6 exclusively, the following:

7 (1) the pension fund, and

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

11 (2) ~~(3)~~ all money donated, paid, assessed, or provided
12 by law for the pensioning of disabled and retired
13 firefighters, their surviving spouses, minor children, and
14 dependent parents. All such money received or collected
15 shall be credited by the treasurer of the municipality to
16 the State Treasurer's account of the pension fund and held
17 by the State for purposes of investment pursuant to Article
18 22A of this Code.

19 (b) Pursuant to rules adopted under Article 22A of this
20 Code, the board of trustees of an eligible pension fund shall
21 make periodic written application to the Illinois State Board
22 of Investment for receipt and deposit of reserves into the
23 pension fund. Reserves in the amount of 3 months' current
24 liabilities, including annuity and benefit payments and
25 operational expenses owed by the fund, shall be held by the

1 treasurer of the municipality subject to the order and control
2 of the board. The treasurer of the municipality shall maintain
3 a record of all money received, transferred, and held for the
4 account of the board.

5 (c) In case of any dispute that may arise between the board
6 of trustees of any eligible pension fund and the Illinois State
7 Board of Investment pursuant to subsection (b) of this Section,
8 the board of trustees of the pension fund shall appeal the
9 dispute to the Director of the Illinois Department of
10 Insurance. If the Director finds good faith dispute between the
11 parties, the Director may hold a hearing in accordance with the
12 rules of the Illinois Department of Insurance.

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

14 (40 ILCS 5/4-128) (from Ch. 108 1/2, par. 4-128)

15 Sec. 4-128. To invest 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.

19 Any pension fund that does not meet the definition of
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) The board of an eligible pension fund that receives a
25 certified investment asset list under Section 4-128.1 shall

1 cease investment activities upon receiving the certified
2 investment asset list and shall transfer all investment assets,
3 minus assets needed to comply with subsection (b) of Section
4 4-123, to the Illinois State Board of Investment in the manner
5 prescribed by rules adopted by the Illinois State Board of
6 Investment under Article 22A. Upon completion of the transfer
7 described in this subsection, the investment authority of the
8 board shall terminate.

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

10 (40 ILCS 5/4-128.1 new)

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

12 (a) Within 18 months of the effective date of this
13 amendatory Act of the 99th General Assembly, the Department of
14 Insurance shall audit the investment assets of each eligible
15 pension fund established under this Article to determine a
16 certified investment asset list. The audit shall be performed
17 by a certified public accountant. The board of the pension fund
18 shall defray the expense of the audit.

19 (b) Upon completion of the audit, the Department shall
20 provide the certified investment asset list to the eligible
21 pension fund and the Illinois State Board of Investment. The
22 Department may adopt rules governing the creation and
23 distribution of the certified investment asset list.

24 (40 ILCS 5/4-128.2 new)

1 Sec. 4-128.2. To transfer investment funds. At each
2 quarterly meeting of the Board, the Board of trustees of any
3 eligible pension fund shall transfer any available funds for
4 investment to the Illinois State Board of Investment in
5 accordance with provisions of Article 22A of this Code. Each
6 transfer shall be made within 30 days of the end of the fiscal
7 year quarter and written notice of the transfer shall be given
8 to the Illinois State Board of Investment.

9 (40 ILCS 5/22A-110.1 new)

10 Sec. 22A-110.1. Emergency rulemaking. In order to provide
11 for the expeditious and timely implementation of the provisions
12 of this amendatory Act of the 99th General Assembly, emergency
13 rules to implement the changes made may be adopted by the
14 Illinois State Board of Investment.

15 (40 ILCS 5/22A-113) (from Ch. 108 1/2, par. 22A-113)

16 Sec. 22A-113. Transfer of securities and investment
17 functions. (a) As soon as possible or practicable following the
18 enactment of this Article and prior to July 1, 1970, the
19 trustees of the State Employees' Retirement System, the General
20 Assembly Retirement System and the Judges Retirement System,
21 shall transfer to this board for management and investment all
22 of their securities or for which commitments have been made,
23 and all funds, assets or moneys representing permanent or
24 temporary investments, or cash reserves maintained for the

1 purpose of obtaining income thereon.

2 (b) The board of trustees or retirement board of any
3 pension fund or retirement system, other than those established
4 under Article 3 or Article 4 of this Code, electing to come
5 under the authority of the Illinois State Board of Investment
6 for the management of its investments and the performance of
7 investment functions previously performed by such board of that
8 pension fund or retirement system shall effect a transfer of
9 securities and other assets thereof not later than the first
10 day of the 4th month next following the date of such election
11 after completion of an audit by a certified public accountant
12 of such securities and other assets as authorized by the
13 Illinois State Board of Investment and approved by the Auditor
14 General of the State, the expense of which shall be assumed by
15 the pension fund or retirement system. Upon such transfer, the
16 authority of The Illinois State Board of Investment in the case
17 of such pension fund or retirement system is effective. These
18 transfers shall be receipted for in detail by the Chairman and
19 director of the board.

20 (c) The board of trustees or retirement board of any
21 pension fund or retirement system, other than those established
22 under Article 3 or Article 4 of this Code, authorized under the
23 Illinois Pension Code to participate in any commingled
24 investment fund or funds established and managed by the
25 Illinois State Board of Investment under this Article may
26 invest in such commingled investment fund or funds upon written

1 notice to the Illinois State Board of Investment. The board of
2 trustees of the Illinois Bank Examiners' Education Foundation
3 is authorized to participate in any commingled investment fund
4 or funds established and managed by the Illinois State Board of
5 Investment upon providing written notice to the Illinois State
6 Board of Investment. Any participation in a commingled fund and
7 the management thereof shall be in accordance with the
8 governing law and the rules, policies and directives of the
9 Illinois State Board of Investment.

10 (Source: P.A. 84-1127.)

11 (40 ILCS 5/22A-113.1) (from Ch. 108 1/2, par. 22A-113.1)

12 Sec. 22A-113.1. Investable funds.

13 (a) Each retirement system under the management of the
14 Illinois State Board of Investment, except those established
15 pursuant to Articles 3 and 4 of this Code, shall report to the
16 board from time to time the amounts of funds available for
17 investment. These amounts shall be transferred immediately to
18 the State Treasurer or his authorized agent for the account of
19 the board to be applied for investment by the board. Notice to
20 the Illinois State Board of Investment of each such transfer
21 shall be given by the retirement system as the transfer occurs.

22 (b) Each pension fund established under Article 3 and 4 of
23 this Code that is under the investment authority of the board
24 shall report to the Illinois State Board of Investment, at the
25 end of each quarter of the pension fund's fiscal year, the

1 amount of funds available for investment. These amounts shall
2 be transferred within 30 days of the end of the quarter to the
3 Illinois State Board of Investment in a manner prescribed by
4 the board. Notice to the Illinois State Board of Investment of
5 each such transfer shall be given by the pension fund as the
6 transfer occurs.

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

8 (40 ILCS 5/22A-113.4 new)

9 Sec. 22A-113.4. Transfer from Article 3 or 4 fund.

10 (a) Upon receipt of a certified investment asset list
11 provided under Section 3-135.1 or 4-128.1 of this Code for an
12 eligible pension fund, the Illinois State Board of Investment
13 shall, as soon as practicable, initiate the transfer of assets
14 from the board of trustees of that fund, and the board shall
15 transfer to the Illinois State Board of Investment for
16 management and investment all of its securities including
17 securities for which commitments have been made, and all funds,
18 assets, or money representing permanent or temporary
19 investments, and cash reserves maintained for the purpose of
20 obtaining income thereon.

21 (b) Upon the transfer of securities and assets from a board
22 of trustees under this Section, the custody and control of the
23 Illinois State Board of Investment over the present and future
24 assets of the pension fund shall take effect. The transfer
25 shall be receipted for in detail by the Illinois State Board of

1 Investment and the receipt shall be provided to the board of
2 trustees of the pension fund within 30 days of the effective
3 date of the transfer.

4 (40 ILCS 5/22A-115) (from Ch. 108 1/2, par. 22A-115)

5 Sec. 22A-115. Audits and reports.

6 (1) At least annually, the books, records, accounts and
7 securities of the board shall be audited by a certified public
8 accountant designated by the Auditor General of the State. The
9 audit opinion shall be published as a part of the annual report
10 of the board.

11 (2) For the quarterly periods ending September 30, December
12 31, and March 31, the board shall submit to each pension fund,
13 retirement system or education fund under its jurisdiction,
14 other than a pension fund established under Article 3 or 4 of
15 this Code, a report embracing, among other things, the
16 following information: (a) a full description of the
17 investments acquired, showing average costs; (b) a full
18 description of the securities sold or exchanged, showing
19 average proceeds or other conditions of an exchange; (c) gains
20 or losses realized during the period; (d) income from
21 investments; (e) administrative expenses of the board; and (f)
22 the proportion of administrative expenses allocable to each
23 pension fund, retirement system or education fund.

24 (3) An annual report shall be prepared by the board for
25 submission to each pension fund, retirement system or education

1 fund under its jurisdiction within 6 months after the close of
2 each fiscal year. A fiscal year shall date from July 1 of one
3 year to June 30 of the year next following. This report shall
4 embody full information concerning the results of investment
5 operations of the board for the year, including the foregoing
6 information and, in addition thereto, the following:

7 (a) a listing of the investments held by the board as
8 at the end of the year showing their book values and market
9 values and their income yields on market values;

10 (b) the amounts as determined under paragraph (a) above
11 allocable to each pension fund or education fund managed by
12 the board;

13 (c) comments on the pertinent factors affecting the
14 operations of the board for the year;

15 (d) a review of the policies maintained by the board
16 and any changes therein that occurred during the year;

17 (e) a copy of the audited financial statements for the
18 year;

19 (f) recommendations for possible changes in the law
20 governing the operations of the board; and

21 (g) a listing of the names of securities brokers and
22 dealers dealt with during the year showing the total amount
23 of commissions received by each on transactions with the
24 board.

25 A copy of the annual report shall be filed with the Illinois
26 Department of Insurance, Public Pension Division.

1 (Source: P.A. 84-1127.)

2 (40 ILCS 5/22A-115.1 new)

3 Sec. 22A-115.1. Audit of transition. Within 6 months of the
4 transfer of investment assets from an eligible pension fund
5 established under Article 3 or 4 of this Code to the control of
6 the Board, the books, records, accounts, and securities of the
7 board shall be audited by a certified public accountant
8 designated by the Illinois Auditor General. The audit shall
9 include, but is not limited to, the following:

10 (i) a full description of the investments acquired,
11 showing average costs;

12 (ii) a full description of the securities sold or
13 exchanged, showing average proceeds or other conditions of
14 an exchange;

15 (iii) gains or losses realized during the period;

16 (iv) income from investments;

17 (v) administrative expenses of the board; and

18 (vi) the proportion of administrative expenses
19 allocable to each pension fund.

20 The audit report shall be published on the Board's website
21 and filed with the Illinois Department of Insurance.

22 Section 90. The State Mandates Act is amended by adding
23 Section 8.40 as follows:

1 (30 ILCS 805/8.40 new)

2 Sec. 8.40. Exempt mandate. Notwithstanding Sections 6 and 8
3 of this Act, no reimbursement by the State is required for the
4 implementation of any mandate created by this amendatory Act of
5 the 99th General Assembly.

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8	40 ILCS 5/1-113.1	
9	40 ILCS 5/1-113.2	
10	40 ILCS 5/1-113.3	
11	40 ILCS 5/1-113.4	
12	40 ILCS 5/1-113.4a	
13	40 ILCS 5/1-113.5	
14	40 ILCS 5/1-113.6	
15	40 ILCS 5/1-113.7	
16	40 ILCS 5/1-136 new	
17	40 ILCS 5/1A-112	
18	40 ILCS 5/1A-113	
19	40 ILCS 5/3-125	from Ch. 108 1/2, par. 3-125
20	40 ILCS 5/3-127	from Ch. 108 1/2, par. 3-127
21	40 ILCS 5/3-132	from Ch. 108 1/2, par. 3-132
22	40 ILCS 5/3-135	from Ch. 108 1/2, par. 3-135
23	40 ILCS 5/3-135.1 new	
24	40 ILCS 5/3-135.2 new	
25	40 ILCS 5/4-118	from Ch. 108 1/2, par. 4-118

1	40 ILCS 5/4-120	from Ch. 108 1/2, par. 4-120
2	40 ILCS 5/4-123	from Ch. 108 1/2, par. 4-123
3	40 ILCS 5/4-128	from Ch. 108 1/2, par. 4-128
4	40 ILCS 5/4-128.1 new	
5	40 ILCS 5/4-128.2 new	
6	40 ILCS 5/22A-110.1 new	
7	40 ILCS 5/22A-113	from Ch. 108 1/2, par. 22A-113
8	40 ILCS 5/22A-113.1	from Ch. 108 1/2, par. 22A-113.1
9	40 ILCS 5/22A-113.4 new	
10	40 ILCS 5/22A-115	from Ch. 108 1/2, par. 22A-115
11	40 ILCS 5/22A-115.1 new	
12	30 ILCS 805/8.40 new	