



Sen. Iris Y. Martinez

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10100SB1671sam001

LRB101 07919 RPS 58888 a

1 AMENDMENT TO SENATE BILL 1671

2 AMENDMENT NO. _____. Amend Senate Bill 1671 by replacing
3 everything after the enacting clause with the following:

4 "Section 5. The Illinois Pension Code is amended by
5 changing Sections 1-109.1 and 1-113.14 and by adding Section
6 1-113.15a as follows:

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

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

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

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

1 fund; and

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

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

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

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

4 (4) For the purposes of this Code, "emerging investment
5 manager" means a qualified investment adviser that manages an
6 investment portfolio of at least \$10,000,000 but less than
7 \$20,000,000,000 at the time of the initial contract with the
8 retirement system, pension fund, or investment board
9 ~~\$10,000,000,000~~ and is a "minority-owned business",
10 "women-owned business" or "business owned by a person with a
11 disability" as those terms are defined in the Business
12 Enterprise for Minorities, Women, and Persons with
13 Disabilities Act.

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

25 On or before January 1, 2010, a retirement system, pension
26 fund, or investment board subject to this Code, except those

1 whose investments are restricted by Section 1-113.2 of this
2 Code, shall adopt a policy that sets forth goals for
3 utilization of emerging investment managers. This policy shall
4 include quantifiable goals for the management of assets in
5 specific asset classes by emerging investment managers. The
6 retirement system, pension fund, or investment board shall
7 establish 3 separate goals for: (i) emerging investment
8 managers that are minority-owned businesses; (ii) emerging
9 investment managers that are women-owned businesses; and (iii)
10 emerging investment managers that are businesses owned by a
11 person with a disability. The goals established shall be based
12 on the percentage of total dollar amount of investment service
13 contracts let to minority-owned businesses, women-owned
14 businesses, and businesses owned by a person with a disability,
15 as those terms are defined in the Business Enterprise for
16 Minorities, Women, and Persons with Disabilities Act. The
17 retirement system, pension fund, or investment board shall
18 annually review the goals established under this subsection.

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

1 choose the most qualified firm or firms to present to the
2 board.

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

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

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

1 Business Enterprise for Minorities, Women, and Persons with
2 Disabilities Act. The retirement system, pension fund, or
3 investment board shall annually review the goals established
4 under this subsection.

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

18 (8) Each retirement system, pension fund, and investment
19 board subject to this Code, except those whose investments are
20 restricted by Section 1-113.2 of this Code, shall submit a
21 report to the Governor and the General Assembly by January 1 of
22 each year that includes the following: (i) the policy adopted
23 under subsection (4) of this Section, including the names and
24 addresses of the emerging investment managers used, percentage
25 of the assets under the investment control of emerging
26 investment managers for the 3 separate goals, and the actions

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

10 (9) On or before February 1, 2015, a retirement system,
11 pension fund, or investment board subject to this Code, except
12 those whose investments are restricted by Section 1-113.2 of
13 this Code, shall adopt a policy that sets forth goals for
14 increasing the utilization of minority investment managers.
15 For the purposes of this Code, "minority investment manager"
16 means a qualified investment manager that manages an investment
17 portfolio and meets the definition of "minority-owned
18 business", "women-owned business", or "business owned by a
19 person with a disability", as those terms are defined in the
20 Business Enterprise for Minorities, Women, and Persons with
21 Disabilities Act.

22 It is hereby declared to be the public policy of the State
23 of Illinois to encourage the trustees of public employee
24 retirement systems, pension funds, and investment boards to use
25 minority investment managers in managing their systems'
26 assets, encompassing all asset classes, and to increase the

1 racial, ethnic, and gender diversity of their fiduciaries, to
2 the greatest extent feasible within the bounds of financial and
3 fiduciary prudence, and to take affirmative steps to remove any
4 barriers to the full participation in investment opportunities
5 afforded by those retirement systems, pension funds, and
6 investment boards.

7 The retirement system, pension fund, or investment board
8 shall establish 3 separate goals for: (i) minority investment
9 managers that are minority-owned businesses; (ii) minority
10 investment managers that are women-owned businesses; and (iii)
11 minority investment managers that are businesses owned by a
12 person with a disability. The retirement system, pension fund,
13 or investment board shall annually review the goals established
14 under this Section.

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

25 The use of a minority investment manager does not
26 constitute a transfer of investment authority for the purposes

1 of subsection (2) of this Section.

2 (10) Beginning January 1, 2016, it shall be the
3 aspirational goal for a retirement system, pension fund, or
4 investment board subject to this Code to use emerging
5 investment managers for not less than 20% of the total funds
6 under management. Furthermore, it shall be the aspirational
7 goal that not less than 20% of investment advisors be
8 minorities, women, and persons with disabilities as those terms
9 are defined in the Business Enterprise for Minorities, Women,
10 and Persons with Disabilities Act. It shall be the aspirational
11 goal to utilize businesses owned by minorities, women, and
12 persons with disabilities for not less than 20% of contracts
13 awarded for "information technology services", "accounting
14 services", "insurance brokers", "architectural and engineering
15 services", and "legal services" as those terms are defined in
16 the Act.

17 (Source: P.A. 99-462, eff. 8-25-15; 100-391, eff. 8-25-17;
18 100-902, eff. 8-17-18.)

19 (40 ILCS 5/1-113.14)

20 Sec. 1-113.14. Investment services for retirement systems,
21 pension funds, and investment boards, except those funds
22 established under Articles 3 and 4.

23 (a) For the purposes of this Section, "investment services"
24 means services provided by an investment adviser or a
25 consultant other than qualified fund-of-fund management

1 services, as defined in Section 1-113.15, and qualified manager
2 of emerging investment managers services, as defined in Section
3 1-113.15a.

4 (b) The selection and appointment of an investment adviser
5 or consultant for investment services by the board of a
6 retirement system, pension fund, or investment board subject to
7 this Code, except those whose investments are restricted by
8 Section 1-113.2, shall be made and awarded in accordance with
9 this Section. All contracts for investment services shall be
10 awarded by the board using a competitive process that is
11 substantially similar to the process required for the
12 procurement of professional and artistic services under
13 Article 35 of the Illinois Procurement Code. Each board of
14 trustees shall adopt a policy in accordance with this
15 subsection (b) within 60 days after the effective date of this
16 amendatory Act of the 96th General Assembly. The policy shall
17 be posted on its web site and filed with the Illinois
18 Procurement Policy Board. Exceptions to this Section are
19 allowed for (i) sole source procurements, (ii) emergency
20 procurements, (iii) at the discretion of the pension fund,
21 retirement system, or board of investment, contracts that are
22 nonrenewable and one year or less in duration, so long as the
23 contract has a value of less than \$20,000, ~~and~~ (iv) in the
24 discretion of the pension fund, retirement system, or
25 investment board, contracts for follow-on funds with the same
26 fund sponsor through closed-end funds, (v) contracts for

1 investment services with an emerging investment manager, and
2 (vi) contracts for investment services with an emerging
3 investment manager provided through a qualified manager of
4 emerging investment managers services, as defined in Section
5 1-113.15a. All exceptions granted under this Section must be
6 published on the system's, fund's, or board's web site, shall
7 name the person authorizing the procurement, and shall include
8 a brief explanation of the reason for the exception.

9 A person, other than a trustee or an employee of a
10 retirement system, pension fund, or investment board, may not
11 act as a consultant or investment adviser under this Section
12 unless that person is registered as an investment adviser under
13 the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1,
14 et seq.) or a bank, as defined in the federal Investment
15 Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.).

16 (c) Investment services provided by an investment adviser
17 or a consultant appointed under this Section shall be rendered
18 pursuant to a written contract between the investment adviser
19 or consultant and the board.

20 The contract shall include all of the following:

21 (1) Acknowledgement in writing by the investment
22 adviser or consultant that he or she is a fiduciary with
23 respect to the pension fund or retirement system.

24 (2) The description of the board's investment policy
25 and notice that the policy is subject to change.

26 (3) (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
3 behalf of the consultant in connection with the provision
4 of services to the pension fund or retirement system and
5 (ii) a requirement that the consultant update the
6 disclosure promptly after a modification of those payments
7 or an additional payment.

8 (4) A requirement that the investment adviser or
9 consultant, in conjunction with the board's staff, submit
10 periodic written reports, on at least a quarterly basis,
11 for the board's review at its regularly scheduled meetings.
12 All returns on investment shall be reported as net returns
13 after payment of all fees, commissions, and any other
14 compensation.

15 (5) Disclosure of the names and addresses of (i) the
16 consultant or investment adviser; (ii) any entity that is a
17 parent of, or owns a controlling interest in, the
18 consultant or investment adviser; (iii) any entity that is
19 a subsidiary of, or in which a controlling interest is
20 owned by, the consultant or investment adviser; (iv) any
21 persons who have an ownership or distributive income share
22 in the consultant or investment adviser that is in excess
23 of 7.5%; or (v) serves as an executive officer of the
24 consultant or investment adviser.

25 (6) A disclosure of the names and addresses of all
26 subcontractors, if applicable, and the expected amount of

1 money each will receive under the contract, including an
2 acknowledgment that the contractor must promptly make
3 notification, in writing, if at any time during the term of
4 the contract a contractor adds or changes any
5 subcontractors. For purposes of this subparagraph (6),
6 "subcontractor" does not include non-investment related
7 professionals or professionals offering services that are
8 not directly related to the investment of assets, such as
9 legal counsel, actuary, proxy-voting services, services
10 used to track compliance with legal standards, ~~and~~
11 investment fund of funds, and qualified managers of
12 emerging investment managers services where the board has
13 no direct contractual relationship with the investment
14 advisers or partnerships.

15 (7) A description of service to be performed.

16 (8) A description of the need for the service.

17 (9) A description of the plan for post-performance
18 review.

19 (10) A description of the qualifications necessary.

20 (11) The duration of the contract.

21 (12) The method for charging and measuring cost.

22 (d) Notwithstanding any other provision of law, a
23 retirement system, pension fund, or investment board subject to
24 this Code, except those whose investments are restricted by
25 Section 1-113.2 of this Code, shall not enter into a contract
26 with a consultant that exceeds 5 years in duration. No contract

1 to provide consulting services may be renewed or extended. At
2 the end of the term of a contract, however, the consultant is
3 eligible to compete for a new contract as provided in this
4 Section. No retirement system, pension fund, or investment
5 board shall attempt to avoid or contravene the restrictions of
6 this subsection (d) by any means.

7 (e) Within 60 days after the effective date of this
8 amendatory Act of the 96th General Assembly, each investment
9 adviser or consultant currently providing services or subject
10 to an existing contract for the provision of services must
11 disclose to the board of trustees all direct and indirect fees,
12 commissions, penalties, and other compensation paid by or on
13 behalf of the investment adviser or consultant in connection
14 with the provision of those services and shall update that
15 disclosure promptly after a modification of those payments or
16 an additional payment. The person shall update the disclosure
17 promptly after a modification of those payments or an
18 additional payment. The disclosures required by this
19 subsection (e) shall be in writing and shall include the date
20 and amount of each payment and the name and address of each
21 recipient of a payment.

22 (f) The retirement system, pension fund, or board of
23 investment shall develop uniform documents that shall be used
24 for the solicitation, review, and acceptance of all investment
25 services. The form shall include the terms contained in
26 subsection (c) of this Section. All such uniform documents

1 shall be posted on the retirement system's, pension fund's, or
2 investment board's web site.

3 (g) A description of every contract for investment services
4 shall be posted in a conspicuous manner on the web site of the
5 retirement system, pension fund, or investment board. The
6 description must include the name of the person or entity
7 awarded a contract, the total amount applicable to the
8 contract, the total fees paid or to be paid, and a disclosure
9 approved by the board describing the factors that contributed
10 to the selection of an investment adviser or consultant.

11 (Source: P.A. 98-433, eff. 8-16-13.)

12 (40 ILCS 5/1-113.15a new)

13 Sec. 1-113.15a. Qualified manager of emerging investment
14 managers services.

15 (a) As used in this Section, "qualified manager of emerging
16 investment managers services" means the services of an
17 investment adviser acting in its capacity as an investment
18 manager of a multimanager portfolio made up of emerging
19 investment managers, as that term is defined in subsection (4)
20 of Section 1-109.1.

21 (b) Based upon a written recommendation from an investment
22 adviser providing qualified manager of emerging investment
23 managers services for the selection or appointment of an
24 emerging investment manager that has been providing investment
25 services in the multimanager portfolio for at least 24 months,

1 the board of a retirement system, pension fund, or investment
2 board may select or appoint such emerging investment manager
3 based upon such recommendation.

4 (c) A qualified manager of emerging investment managers
5 services shall comply with the requirements regarding written
6 contracts set forth in subsection (c) of Section 1-113.14.

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