

1 AN ACT concerning public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by changing
5 Section 1-113.14 as follows:

6 (40 ILCS 5/1-113.14)

7 Sec. 1-113.14. Investment services for retirement systems,
8 pension funds, and investment boards, except those funds
9 established under Articles 3 and 4.

10 (a) For the purposes of this Section, "investment services"
11 means services provided by an investment adviser or a
12 consultant other than qualified fund-of-fund management
13 services as defined in Section 1-113.15.

14 (b) The selection and appointment of an investment adviser
15 or consultant for investment services by the board of a
16 retirement system, pension fund, or investment board subject to
17 this Code, except those whose investments are restricted by
18 Section 1-113.2, shall be made and awarded in accordance with
19 this Section. All contracts for investment services shall be
20 awarded by the board using a competitive process that is
21 substantially similar to the process required for the
22 procurement of professional and artistic services under
23 Article 35 of the Illinois Procurement Code. Each board of

1 trustees shall adopt a policy in accordance with this
2 subsection (b) within 60 days after the effective date of this
3 amendatory Act of the 96th General Assembly. The policy shall
4 be posted on its web site and filed with the Illinois
5 Procurement Policy Board. Exceptions to this Section are
6 allowed for (i) sole source procurements, (ii) emergency
7 procurements, (iii) at the discretion of the pension fund,
8 retirement system, or board of investment, contracts that are
9 nonrenewable and one year or less in duration, so long as the
10 contract has a value of less than \$20,000, ~~and~~ (iv) in the
11 discretion of the pension fund, retirement system, or
12 investment board, contracts for follow-on funds with the same
13 fund sponsor through closed-end funds, and (v) at the
14 discretion of the pension fund, retirement system, or
15 investment board, contracts with an emerging investment
16 manager that has invested assets of the pension fund,
17 retirement system, or investment board within a manager of
18 managers services agreement. All exceptions granted under this
19 Section must be published on the system's, fund's, or board's
20 web site, shall name the person authorizing the procurement,
21 and shall include a brief explanation of the reason for the
22 exception.

23 A person, other than a trustee or an employee of a
24 retirement system, pension fund, or investment board, may not
25 act as a consultant or investment adviser under this Section
26 unless that person is registered as an investment adviser under

1 the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1,
2 et seq.) or a bank, as defined in the federal Investment
3 Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.).

4 (c) Investment services provided by an investment adviser
5 or a consultant appointed under this Section shall be rendered
6 pursuant to a written contract between the investment adviser
7 or consultant and the board.

8 The contract shall include all of the following:

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

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

14 (3) (i) Full disclosure of direct and indirect fees,
15 commissions, penalties, and other compensation, including
16 reimbursement for expenses, that may be paid by or on
17 behalf of the consultant in connection with the provision
18 of services to the pension fund or retirement system and
19 (ii) a requirement that the consultant update the
20 disclosure promptly after a modification of those payments
21 or an additional payment.

22 (4) A requirement that the investment adviser or
23 consultant, in conjunction with the board's staff, submit
24 periodic written reports, on at least a quarterly basis,
25 for the board's review at its regularly scheduled meetings.
26 All returns on investment shall be reported as net returns

1 after payment of all fees, commissions, and any other
2 compensation.

3 (5) Disclosure of the names and addresses of (i) the
4 consultant or investment adviser; (ii) any entity that is a
5 parent of, or owns a controlling interest in, the
6 consultant or investment adviser; (iii) any entity that is
7 a subsidiary of, or in which a controlling interest is
8 owned by, the consultant or investment adviser; (iv) any
9 persons who have an ownership or distributive income share
10 in the consultant or investment adviser that is in excess
11 of 7.5%; or (v) serves as an executive officer of the
12 consultant or investment adviser.

13 (6) A disclosure of the names and addresses of all
14 subcontractors, if applicable, and the expected amount of
15 money each will receive under the contract, including an
16 acknowledgment that the contractor must promptly make
17 notification, in writing, if at any time during the term of
18 the contract a contractor adds or changes any
19 subcontractors. For purposes of this subparagraph (6),
20 "subcontractor" does not include non-investment related
21 professionals or professionals offering services that are
22 not directly related to the investment of assets, such as
23 legal counsel, actuary, proxy-voting services, services
24 used to track compliance with legal standards, and
25 investment fund of funds where the board has no direct
26 contractual relationship with the investment advisers or

1 partnerships.

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

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

4 (9) A description of the plan for post-performance
5 review.

6 (10) A description of the qualifications necessary.

7 (11) The duration of the contract.

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

9 (d) Notwithstanding any other provision of law, a
10 retirement system, pension fund, or investment board subject to
11 this Code, except those whose investments are restricted by
12 Section 1-113.2 of this Code, shall not enter into a contract
13 with a consultant that exceeds 5 years in duration. No contract
14 to provide consulting services may be renewed or extended. At
15 the end of the term of a contract, however, the consultant is
16 eligible to compete for a new contract as provided in this
17 Section. No retirement system, pension fund, or investment
18 board shall attempt to avoid or contravene the restrictions of
19 this subsection (d) by any means.

20 (e) Within 60 days after the effective date of this
21 amendatory Act of the 96th General Assembly, each investment
22 adviser or consultant currently providing services or subject
23 to an existing contract for the provision of services must
24 disclose to the board of trustees all direct and indirect fees,
25 commissions, penalties, and other compensation paid by or on
26 behalf of the investment adviser or consultant in connection

1 with the provision of those services and shall update that
2 disclosure promptly after a modification of those payments or
3 an additional payment. The person shall update the disclosure
4 promptly after a modification of those payments or an
5 additional payment. The disclosures required by this
6 subsection (e) shall be in writing and shall include the date
7 and amount of each payment and the name and address of each
8 recipient of a payment.

9 (f) The retirement system, pension fund, or board of
10 investment shall develop uniform documents that shall be used
11 for the solicitation, review, and acceptance of all investment
12 services. The form shall include the terms contained in
13 subsection (c) of this Section. All such uniform documents
14 shall be posted on the retirement system's, pension fund's, or
15 investment board's web site.

16 (g) A description of every contract for investment services
17 shall be posted in a conspicuous manner on the web site of the
18 retirement system, pension fund, or investment board. The
19 description must include the name of the person or entity
20 awarded a contract, the total amount applicable to the
21 contract, the total fees paid or to be paid, and a disclosure
22 approved by the board describing the factors that contributed
23 to the selection of an investment adviser or consultant.

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