

1 AN ACT in relation to 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  
5 changing Section 1-109.1 as follows:

6 (40 ILCS 5/1-109.1) (from Ch. 108 1/2, par. 1-109.1)  
7 Sec. 1-109.1. Allocation and Delegation of Fiduciary  
8 Duties.

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

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

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

21 (1.5) Beginning no later than July 1, 2002, the Illinois  
22 State Board of Investment and the board of trustees of each  
23 retirement system or pension fund established under this Code  
24 shall allocate its brokerage business, on an annual basis, as  
25 follows:

26 (i) At least 30% of its brokerage business shall be  
27 allocated to Illinois brokerage or investment banking  
28 firms.

29 (ii) At least 25% of its brokerage business shall  
30 be allocated to Illinois brokerage or investment banking  
31 firms that are minority owned businesses as defined in

1 the Business Enterprise for Minorities, Females, and  
2 Persons with Disabilities Act.

3 (iii) At least 5% of its brokerage business shall  
4 be allocated to Illinois brokerage or investment banking  
5 firms that are female owned businesses as defined in the  
6 Business Enterprise for Minorities, Females, and Persons  
7 with Disabilities Act.

8 (iv) To the extent practicable, at least 25% of its  
9 non-Illinois brokerage business shall be allocated to  
10 brokerage or investment banking firms that are minority  
11 owned businesses or female owned businesses as defined in  
12 the Business Enterprise for Minorities, Females, and  
13 Persons with Disabilities Act.

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

30 (3) Pursuant to subsections (h) and (i) of Section 6 of  
31 Article VII of the Illinois Constitution, the investment  
32 authority of boards of trustees of retirement systems and  
33 pension funds established under this Code is declared to be a  
34 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 \$400,000,000 on January 1, 1993 and is a "minority owned  
8 business" or "female owned business" as those terms are  
9 defined in the Minority-and-Female Business Enterprise for  
10 Minorities, Females, and Persons with Disabilities Act.

11 It is hereby declared to be the public policy of the  
12 State of Illinois to encourage the trustees of public  
13 employee retirement systems to use emerging investment  
14 managers in managing their system's assets to the greatest  
15 extent feasible within the bounds of financial and fiduciary  
16 prudence, and to take affirmative steps to remove any  
17 barriers to the full participation of emerging investment  
18 managers in investment opportunities afforded by those  
19 retirement systems.

20 Each retirement system subject to this Code shall prepare  
21 a report to be submitted to the Governor and the General  
22 Assembly by September 1 of each year. The report shall  
23 identify the emerging investment managers used by the system,  
24 the percentage of the system's assets under the investment  
25 control of emerging investment managers, and the actions it  
26 has undertaken to increase the use of emerging investment  
27 managers, including encouraging other investment managers to  
28 use emerging investment managers as subcontractors when the  
29 opportunity arises.

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

33 (Source: P.A. 86-1488; 87-1265; revised 8-23-99)

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