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PENSIONS

(40 ILCS 5/) Illinois Pension Code.

(40 ILCS 5/Art. 1 heading)

ARTICLE 1. GENERAL PROVISIONS:
SHORT TITLE, EFFECT OF CODE AND OTHER PROVISIONS

(40 ILCS 5/1-101) (from Ch. 108 1/2, par. 1-101)

Sec. 1-101. Short title.

This Code shall be known and may be cited as the Illinois Pension Code.

(Source: Laws 1963, p. 161.)

(40 ILCS 5/1-101.1) (from Ch. 108 1/2, par. 1-101.1)

Sec. 1-101.1. Definitions. For purposes of this Article, unless the context otherwise requires, the words defined in the Sections following this Section and preceding Section 1-102 shall have meanings given in those Sections.

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

(40 ILCS 5/1-101.2)

Sec. 1-101.2. Fiduciary. A person is a "fiduciary" with respect to a pension fund or retirement system established under this Code to the extent that the person:

(1) exercises any discretionary authority or discretionary control respecting management of the pension fund or retirement system, or exercises any authority or control respecting management or disposition of its assets;

(2) renders investment advice or renders advice on the selection of fiduciaries for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the pension fund or retirement system, or has any authority or responsibility to do so; or

(3) has any discretionary authority or discretionary responsibility in the administration of the pension fund or retirement system.

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

(40 ILCS 5/1-101.3)

Sec. 1-101.3. Party in interest. A person is a "party in interest" with respect to a pension fund or retirement system established under this Code if the person is:

(1) a fiduciary, counsel, or employee of the pension

fund or retirement system, or a relative of such a person;

(2) a person providing services to the pension fund or retirement system, or a relative of such a person;

(3) an employer, any of whose employees are covered by the pension fund or retirement system;

(4) an employee organization, any members of which are covered by the pension fund or retirement system; or

(5) an employee, officer, or director (or an individual having powers or responsibilities similar to those of an officer or director) of the pension fund or retirement system or of a person described under item (2), (3), or (4) of this Section.

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

(40 ILCS 5/1-101.4)

Sec. 1-101.4. Investment adviser. A person is an "investment adviser", "investment advisor", or "investment manager" with respect to a pension fund or retirement system established under this Code if the person:

(1) is a fiduciary appointed by the board of trustees of the pension fund or retirement system in accordance with Section 1-109.1;

(2) has the power to manage, acquire, or dispose of any asset of the retirement system or pension fund;

(3) has acknowledged in writing that he or she is a fiduciary with respect to the pension fund or retirement system; and

(4) is at least one of the following: (i) registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.); (ii) registered as an investment adviser under the Illinois Securities Law of 1953; (iii) a bank, as defined in the Investment Advisers Act of 1940; or (iv) an insurance company authorized to transact business in this State.

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

(40 ILCS 5/1-101.5)

Sec. 1-101.5. Consultant. "Consultant" means any person or entity retained or employed by the board of a retirement system, pension fund, or investment board to make recommendations in developing an investment strategy, assist with finding appropriate investment advisers, or monitor the board's investments. "Consultant" does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy-voting services, services used to track compliance with legal standards, and investment fund of funds where the board has no direct contractual relationship with the investment advisers or partnerships. "Investment adviser" has the meaning ascribed to it in Section 1-101.4.

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

(40 ILCS 5/1-102) (from Ch. 108 1/2, par. 1-102)

Sec. 1-102. Continuation of prior statutes.

The provisions of this Code insofar as they are the same or substantially the same as those of any prior statute, shall be construed as a continuation of such prior statute and not as a new enactment.

If in any other statute reference is made to an Act of the

General Assembly, or a Section of such an Act, which is continued in this Code, such reference shall be held to refer to the Act or Section thereof so continued in this Code.
(Source: Laws 1963, p. 161.)

(40 ILCS 5/1-103) (from Ch. 108 1/2, par. 1-103)
Sec. 1-103. Effect of headings.

Article, Division and Section headings contained herein shall not be deemed to govern, limit, modify or in any manner affect the scope, meaning or intent of the provisions of any Article, Division or Section hereof.
(Source: Laws 1963, p. 161.)

(40 ILCS 5/1-103.1) (from Ch. 108 1/2, par. 1-103.1)
Sec. 1-103.1. Application of amendments.

Amendments to this Code which have been or may be enacted shall be applicable only to persons who, on or after the effective date thereof, are in service as an employee under the retirement system or pension fund covered by the Article which is amended, unless the amendatory Act specifies otherwise.
(Source: P.A. 77-1415.)

(40 ILCS 5/1-103.2) (from Ch. 108 1/2, par. 1-103.2)
Sec. 1-103.2. The amendatory provisions of this amendatory Act of 1987 which provide for benefit increases effective July 1, 1987 or January 1, 1988 are intended to be retroactive to the dates specified therein, notwithstanding the provisions of Section 1-103.1.
(Source: P.A. 85-941.)

(40 ILCS 5/1-103.3)
(Text of Section WITH the changes made by P.A. 98-599, which has been held unconstitutional)
Sec. 1-103.3. Application of 1994 amendment; funding standard.

(a) The provisions of Public Act 88-593 that change the method of calculating, certifying, and paying the required State contributions to the retirement systems established under Articles 2, 14, 15, 16, and 18 shall first apply to the State contributions required for State fiscal year 1996.

(b) (Blank).

(c) Every 5 years, beginning in 1999, the Commission on Government Forecasting and Accountability, in consultation with the affected retirement systems and the Governor's Office of Management and Budget (formerly Bureau of the Budget), shall consider and determine whether the funding goals adopted in Articles 2, 14, 15, 16, and 18 of this Code continue to represent appropriate funding goals for those retirement systems, and it shall report its findings and recommendations on this subject to the Governor and the General Assembly.
(Source: P.A. 98-599, eff. 6-1-14.)

(Text of Section WITHOUT the changes made by P.A. 98-599, which has been held unconstitutional)
Sec. 1-103.3. Application of 1994 amendment; funding standard.

(a) The provisions of this amendatory Act of 1994 that change the method of calculating, certifying, and paying the

required State contributions to the retirement systems established under Articles 2, 14, 15, 16, and 18 shall first apply to the State contributions required for State fiscal year 1996.

(b) The General Assembly declares that a funding ratio (the ratio of a retirement system's total assets to its total actuarial liabilities) of 90% is an appropriate goal for State-funded retirement systems in Illinois, and it finds that a funding ratio of 90% is now the generally-recognized norm throughout the nation for public employee retirement systems that are considered to be financially secure and funded in an appropriate and responsible manner.

(c) Every 5 years, beginning in 1999, the Commission on Government Forecasting and Accountability, in consultation with the affected retirement systems and the Governor's Office of Management and Budget (formerly Bureau of the Budget), shall consider and determine whether the 90% funding ratio adopted in subsection (b) continues to represent an appropriate goal for State-funded retirement systems in Illinois, and it shall report its findings and recommendations on this subject to the Governor and the General Assembly.
(Source: P.A. 93-1067, eff. 1-15-05.)

(40 ILCS 5/1-104) (from Ch. 108 1/2, par. 1-104)
Sec. 1-104. Cross references.

Where, in this Code, reference is made to a Section, Division or Article by its number and no Act is specified, the reference is to the correspondingly numbered Section, Division or Article of this Code. Where reference is made to "this Article" or "this Division" or "this Section" and no Act is specified, the reference is to the Article, Division or Section of this Code in which the reference appears. If any Section, Division or Article of this Code is hereafter amended, the reference shall thereafter be treated and considered as a reference to the Section, Division or Article as so amended.

(Source: Laws 1963, p. 161.)

(40 ILCS 5/1-104.1) (from Ch. 108 1/2, par. 1-104.1)
Sec. 1-104.1. Gender.

Words or phrases as used in this Code that import the masculine gender shall be construed to import also the feminine gender, unless such construction would be inconsistent with the manifest intention of the context.

(Source: P.A. 78-1129.)

(40 ILCS 5/1-104.2) (from Ch. 108 1/2, par. 1-104.2)

Sec. 1-104.2. Beginning January 1, 1986, children not conceived in lawful wedlock shall be entitled to the same benefits as other children, and no child's or survivor's benefit shall be disallowed because of the fact that the child was born out of wedlock; however, in cases where the father is the employee parent, paternity must first be established. Paternity may be established by any one of the following means: (1) acknowledgment by the father, or (2) adjudication before or after the death of the father, or (3) any other means acceptable to the board of trustees of the pension fund or retirement system.

(Source: P.A. 94-229, eff. 1-1-06.)

(40 ILCS 5/1-104.3)

Sec. 1-104.3. Adopted children. Notwithstanding any other provision of this Code to the contrary, beginning on the effective date of this amendatory Act of the 95th General Assembly, legally adopted children shall be entitled to the same benefits as other children, and no child's or survivor's benefit shall be disallowed because the child is an adopted child. The provisions of this Section apply without regard to whether the employee or member was in service on or after the date of the adoption of the child.

(Source: P.A. 95-279, eff. 1-1-08.)

(40 ILCS 5/1-105) (from Ch. 108 1/2, par. 1-105)

Sec. 1-105. Partial invalidity.

The invalidity of any provision of this Code shall not affect the validity of the remainder of this Code.

(Source: Laws 1963, p. 161.)

(40 ILCS 5/1-106) (from Ch. 108 1/2, par. 1-106)

Sec. 1-106. Payment of distribution other than direct.

(a) The board of trustees of any retirement fund or system operating under this Code may, at the written direction and request of any annuitant, solely as an accommodation to the annuitant, pay the annuity due the annuitant to a bank, savings and loan association, or any other financial institution insured by an agency of the federal government, for deposit to the account of the annuitant, or to a bank, savings and loan association, or trust company for deposit in a trust established by the annuitant for his or her benefit with that bank, savings and loan association, or trust company. The annuitant may withdraw the direction at any time.

(b) Beginning January 1, 1993, each pension fund or retirement system operating under this Code may, and to the extent required by federal law shall, at the request of any person entitled to receive a refund, lump-sum benefit, or other nonperiodic distribution from the pension fund or retirement system, pay the distribution directly to any entity that (1) is designated in writing by the person, (2) is qualified under federal law to accept an eligible rollover distribution from a qualified plan, and (3) has agreed to accept the distribution.

(Source: P.A. 96-586, eff. 8-18-09.)

(40 ILCS 5/1-107) (from Ch. 108 1/2, par. 1-107)

Sec. 1-107. Indemnification of trustees, consultants and employees of retirement systems and pension funds. Every retirement system, pension fund or other system or fund established under this Code may indemnify and protect the trustees, staff and consultants against all damage claims and suits, including defense thereof, when damages are sought for negligent or wrongful acts alleged to have been committed in the scope of employment or under the direction of the trustees. However, the trustees, staff and consultants shall not be indemnified for wilful misconduct and gross negligence. Each board is authorized to insure against loss or liability of the trustees, staff and consultants which may result from these damage claims. This insurance shall be carried in a company which is licensed to write such coverage in this

State.

(Source: P.A. 80-1364.)

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

Sec. 1-108. (a) In any proceeding commenced against an employee of a pension fund, alleging a civil wrong arising out of any act or omission occurring within the scope of the employee's pension fund employment, unless the court or the jury finds that the conduct which gave rise to the claim was intentional, wilful or wanton misconduct, the pension fund shall indemnify the employee for any damages awarded and court costs and attorneys' fees assessed as part of any final and unreversed judgment and any attorneys' fees, court costs and litigation expenses incurred by the employee in defending the claim. In any such proceeding if a majority of the board or trustees who are not a party to the action determine that the conduct which gave rise to the claim was not intentional, wilful or wanton misconduct, the board or trustees may agree to settlement of the proceeding and the pension fund shall indemnify the employee for any damages, court costs and attorneys' fees agreed to as part of the settlement and any attorneys' fees, court costs and litigation expenses incurred in defending the claim.

(b) No employee of a pension fund shall be entitled to indemnification under this Section unless within 15 days after receipt by the employee of service of process, he shall give written notice of such proceeding to the pension fund.

(c) Each pension fund may insure against loss or liability of employees which may arise as a result of these claims. This insurance shall be carried by a company authorized to provide such coverage in this State.

(d) Nothing contained or implied in this Section shall operate, or be construed or applied, to deprive the State or a pension fund, or any other employee thereof, of any immunity or any defense heretofore available.

(e) This Section shall apply regardless of whether the employee is sued in his or her individual or official capacity.

(f) This Section shall not apply to claims for bodily injury or damage to property arising from motor vehicle accidents.

(g) This Section shall apply to all proceedings filed on or after its effective date, and to any proceeding pending on its effective date, if the pension fund employee gives notice to the pension fund within 30 days of the Act's effective date.

(Source: P.A. 80-1078.)

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

Sec. 1-109. Duties of Fiduciaries. A fiduciary with respect to a retirement system or pension fund established under this Code shall discharge his or her duties with respect to the retirement system or pension fund solely in the interest of the participants and beneficiaries and:

(a) For the exclusive purpose of:

(1) Providing benefits to participants and their beneficiaries; and

(2) Defraying reasonable expenses of administering the retirement system or pension fund;

(b) With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims;

(c) By diversifying the investments of the retirement system or pension fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and

(d) In accordance with the provisions of the Article of the Pension Code governing the retirement system or pension fund.

(Source: P.A. 82-960.)

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

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

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

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

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

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

(3) Pursuant to subsections (h) and (i) of Section 6 of Article VII of the Illinois Constitution, the investment authority of boards of trustees of retirement systems and pension funds established under this Code is declared to be a subject of exclusive State jurisdiction, and the concurrent exercise by a home rule unit of any power affecting such investment authority is hereby specifically denied and preempted.

(4) For the purposes of this Code, "emerging investment manager" means a qualified investment adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a "minority owned business", "female owned business" or "business owned by a person with a disability" as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

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

On or before January 1, 2010, a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for utilization of emerging investment managers. This policy shall include quantifiable goals for the management of assets in specific asset classes by emerging investment managers. The retirement system, pension fund, or investment board shall establish 3 separate goals for: (i) emerging investment managers that are minority owned businesses; (ii) emerging investment managers that are female owned businesses; and (iii) emerging investment managers that are businesses owned by a person with a disability. The goals established shall be based on the percentage of total dollar amount of investment service contracts let to minority owned businesses, female owned businesses, and businesses owned by a person with a disability, as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. The retirement system, pension fund, or investment board shall annually review the goals established under this subsection.

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

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

(5) Each retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall establish a policy that sets forth goals for increasing the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and senior staff. Each system, fund, and investment board shall annually review the goals established under this subsection.

(6) On or before January 1, 2010, a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall adopt a policy that sets forth goals for utilization of businesses owned by minorities, females, and persons with disabilities for all contracts and services. The goals established shall be based on the percentage of total

dollar amount of all contracts let to minority owned businesses, female owned businesses, and businesses owned by a person with a disability, as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. The retirement system, pension fund, or investment board shall annually review the goals established under this subsection.

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

(8) Each retirement system, pension fund, and investment board subject to this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall submit a report to the Governor and the General Assembly by January 1 of each year that includes the following: (i) the policy adopted under subsection (4) of this Section, including the names and addresses of the emerging investment managers used, percentage of the assets under the investment control of emerging investment managers for the 3 separate goals, and the actions it has undertaken to increase the use of emerging investment managers, including encouraging other investment managers to use emerging investment managers as subcontractors when the opportunity arises; (ii) the policy adopted under subsection (5) of this Section; (iii) the policy adopted under subsection (6) of this Section; (iv) the policy adopted under subsection (7) of this Section, including specific actions undertaken to increase the use of minority broker-dealers; and (v) the policy adopted under subsection (9) of this Section.

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

It is hereby declared to be the public policy of the State of Illinois to encourage the trustees of public employee retirement systems, pension funds, and investment boards to use minority investment managers in managing their systems' assets, encompassing all asset classes, and to increase the racial, ethnic, and gender diversity of their fiduciaries, to the greatest extent feasible within the bounds of financial and fiduciary prudence, and to take affirmative steps to remove any barriers to the full participation in investment opportunities afforded by those retirement systems, pension

funds, and investment boards.

The retirement system, pension fund, or investment board shall establish 3 separate goals for: (i) minority investment managers that are minority owned businesses; (ii) minority investment managers that are female owned businesses; and (iii) minority investment managers that are businesses owned by a person with a disability. The retirement system, pension fund, or investment board shall annually review the goals established under this Section.

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

The use of a minority investment manager does not constitute a transfer of investment authority for the purposes of subsection (2) of this Section.

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

(Source: P.A. 98-1022, eff. 1-1-15; 99-462, eff. 8-25-15.)

(40 ILCS 5/1-109.2) (from Ch. 108 1/2, par. 1-109.2)

Sec. 1-109.2. Extent of Cofiduciary Duties. (a) (1) Except to the extent otherwise required in subsection (b) of this Section, a fiduciary of a retirement system or pension fund to whom a specified duty has not been allocated shall not be responsible or liable for an act or omission, in connection with that duty, by the fiduciary to whom that duty has been allocated, except to the extent that the allocation, or the continuation thereof, is a violation of Section 1-109 of this Code. Nothing in this paragraph (1) shall be construed to relieve a fiduciary from responsibility or liability for any act by that fiduciary.

(2) Except to the extent otherwise required in subsection (b) of this Section a fiduciary shall not be responsible or liable for an act or omission, in connection with a specific fiduciary activity, by any other person who has been designated to carry out that fiduciary activity, except to the extent that the designation, or the continuation thereof at any time under the circumstances then prevailing, is a violation of Section 1-109 of this Code. Nothing in this paragraph (2) shall be construed to relieve a fiduciary from

responsibility for any act by that fiduciary.

(b) With respect to any retirement system or pension fund established under this Code:

(1) Each trustee shall use reasonable care to prevent any other trustee from committing a breach of duty; and

(2) Subject to the provisions of Section 22A-113 of this Code, all trustees shall jointly manage and control the assets of the retirement system or pension fund.

Nothing in this subsection (b) shall be construed to attribute a duty to a trustee which would be inconsistent with the appointment of, and delegation of authority to, an investment manager in accordance with paragraph (a) of Section 1-109.1 of this Code.

(Source: P.A. 82-960.)

(40 ILCS 5/1-109.3)

Sec. 1-109.3. Training requirement for pension trustees.

(a) All elected and appointed trustees under Article 3 and 4 of this Code must participate in a mandatory trustee certification training seminar that consists of at least 32 hours of initial trustee certification at a training facility that is accredited and affiliated with a State of Illinois certified college or university. This training must include without limitation all of the following:

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

(2) Adjudication of pension claims.

(3) Basic accounting and actuarial training.

(4) Trustee ethics.

(5) The Illinois Open Meetings Act.

(6) The Illinois Freedom of Information Act.

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

(b) In addition to the initial trustee certification training required under subsection (a), all elected and appointed trustees under Article 3 and 4 of this Code, including trustees serving on the effective date of this amendatory Act of the 96th General Assembly, shall also participate in a minimum of 16 hours of continuing trustee education each year after the first year that the trustee is elected or appointed.

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

(d) Any board member who does not timely complete the training required under this Section is not eligible to serve on the board of trustees of an Article 3 or 4 pension fund, unless the board member completes the missed training within 6 months after the date the member failed to complete the required training. In the event of a board member's failure to complete the required training, a successor shall be appointed

or elected, as applicable, for the unexpired term. A successor who is elected under such circumstances must be elected at a special election called by the board and conducted in the same manner as a regular election under Article 3 or 4, as applicable.

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

(40 ILCS 5/1-110) (from Ch. 108 1/2, par. 1-110)

Sec. 1-110. Prohibited Transactions.

(a) A fiduciary with respect to a retirement system, pension fund, or investment board shall not cause the retirement system or pension fund to engage in a transaction if he or she knows or should know that such transaction constitutes a direct or indirect:

(1) Sale or exchange, or leasing of any property from the retirement system or pension fund to a party in interest for less than adequate consideration, or from a party in interest to a retirement system or pension fund for more than adequate consideration.

(2) Lending of money or other extension of credit from the retirement system or pension fund to a party in interest without the receipt of adequate security and a reasonable rate of interest, or from a party in interest to a retirement system or pension fund with the provision of excessive security or an unreasonably high rate of interest.

(3) Furnishing of goods, services or facilities from the retirement system or pension fund to a party in interest for less than adequate consideration, or from a party in interest to a retirement system or pension fund for more than adequate consideration.

(4) Transfer to, or use by or for the benefit of, a party in interest of any assets of a retirement system or pension fund for less than adequate consideration.

(b) A fiduciary with respect to a retirement system or pension fund established under this Code shall not:

(1) Deal with the assets of the retirement system or pension fund in his own interest or for his own account;

(2) In his individual or any other capacity act in any transaction involving the retirement system or pension fund on behalf of a party whose interests are adverse to the interests of the retirement system or pension fund or the interests of its participants or beneficiaries; or

(3) Receive any consideration for his own personal account from any party dealing with the retirement system or pension fund in connection with a transaction involving the assets of the retirement system or pension fund.

(c) Nothing in this Section shall be construed to prohibit any trustee from:

(1) Receiving any benefit to which he may be entitled as a participant or beneficiary in the retirement system or pension fund.

(2) Receiving any reimbursement of expenses properly and actually incurred in the performance of his duties with the retirement system or pension fund.

(3) Serving as a trustee in addition to being an officer, employee, agent or other representative of a party in interest.

(d) A fiduciary of a pension fund established under Article 3 or 4 shall not knowingly cause or advise the pension

fund to engage in an investment transaction when the fiduciary (i) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (ii) has a business relationship with that investment adviser that would result in a pecuniary benefit to the fiduciary as a result of the investment transaction.

Violation of this subsection (d) is a Class 4 felony.

(e) A board member, employee, or consultant with respect to a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2, shall not knowingly cause or advise the retirement system, pension fund, or investment board to engage in an investment transaction with an investment adviser when the board member, employee, consultant, or their spouse (i) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (ii) has a relationship with that investment adviser that would result in a pecuniary benefit to the board member, employee, or consultant or spouse of such board member, employee, or consultant as a result of the investment transaction. For purposes of this subsection (e), a consultant includes an employee or agent of a consulting firm who has greater than 7.5% ownership of the consulting firm.

Violation of this subsection (e) is a Class 4 felony.

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

(40 ILCS 5/1-110.5)

Sec. 1-110.5. (Repealed).

(Source: P.A. 94-79, eff. 1-27-06. Repealed by P.A. 95-521, eff. 8-28-07.)

(40 ILCS 5/1-110.6)

Sec. 1-110.6. Transactions prohibited by retirement systems; Republic of the Sudan.

(a) The Government of the United States has determined that Sudan is a nation that sponsors terrorism and genocide. The General Assembly finds that acts of terrorism have caused injury and death to Illinois and United States residents who serve in the United States military, and pose a significant threat to safety and health in Illinois. The General Assembly finds that public employees and their families, including police officers and firefighters, are more likely than others to be affected by acts of terrorism. The General Assembly finds that Sudan continues to solicit investment and commercial activities by forbidden entities, including private market funds. The General Assembly finds that investments in forbidden entities are inherently and unduly risky, not in the interests of public pensioners and Illinois taxpayers, and against public policy. The General Assembly finds that Sudan's capacity to sponsor terrorism and genocide depends on or is supported by the activities of forbidden entities. The General Assembly further finds and re-affirms that the people of the State, acting through their representatives, do not want to be associated with forbidden entities, genocide, and terrorism.

(b) For purposes of this Section:

"Business operations" means maintaining, selling, or leasing equipment, facilities, personnel, or any other apparatus of business or commerce in the Republic of the

Sudan, including the ownership or possession of real or personal property located in the Republic of the Sudan.

"Certifying company" means a company that (1) directly provides asset management services or advice to a retirement system or (2) as directly authorized or requested by a retirement system (A) identifies particular investment options for consideration or approval; (B) chooses particular investment options; or (C) allocates particular amounts to be invested. If no company meets the criteria set forth in this paragraph, then "certifying company" shall mean the retirement system officer who, as designated by the board, executes the investment decisions made by the board, or, in the alternative, the company that the board authorizes to complete the certification as the agent of that officer.

"Company" is any entity capable of affecting commerce, including but not limited to (i) a government, government agency, natural person, legal person, sole proprietorship, partnership, firm, corporation, subsidiary, affiliate, franchisor, franchisee, joint venture, trade association, financial institution, utility, public franchise, provider of financial services, trust, or enterprise; and (ii) any association thereof.

"Department" means the Public Pension Division of the Department of Financial and Professional Regulation.

"Forbidden entity" means any of the following:

(1) The government of the Republic of the Sudan and any of its agencies, including but not limited to political units and subdivisions;

(2) Any company that is wholly or partially managed or controlled by the government of the Republic of the Sudan and any of its agencies, including but not limited to political units and subdivisions;

(3) Any company (i) that is established or organized under the laws of the Republic of the Sudan or (ii) whose principal place of business is in the Republic of the Sudan;

(4) Any company (i) identified by the Office of Foreign Assets Control in the United States Department of the Treasury as sponsoring terrorist activities in the Republic of the Sudan; or (ii) fined, penalized, or sanctioned by the Office of Foreign Assets Control in the United States Department of the Treasury for any violation of any United States rules and restrictions relating to the Republic of the Sudan that occurred at any time following the effective date of this Act;

(5) Any publicly traded company that is individually identified by an independent researching firm that specializes in global security risk and that has been retained by a certifying company as provided in subsection (c) of this Section as being a company that owns or controls property or assets located in, has employees or facilities located in, provides goods or services to, obtains goods or services from, has distribution agreements with, issues credits or loans to, purchases bonds or commercial paper issued by, or invests in (A) the Republic of the Sudan; or (B) any company domiciled in the Republic of the Sudan; and

(6) Any private market fund that fails to satisfy the requirements set forth in subsections (d) and (e) of this Section.

Notwithstanding the foregoing, the term "forbidden entity" shall exclude (A) mutual funds that meet the requirements of item (iii) of paragraph (13) of Section 1-113.2 and (B) companies that transact business in the Republic of the Sudan under the law, license, or permit of the United States, including a license from the United States Department of the Treasury, and companies, except agencies of the Republic of the Sudan, who are certified as Non-Government Organizations by the United Nations, or who engage solely in (i) the provision of goods and services intended to relieve human suffering or to promote welfare, health, religious and spiritual activities, and education or humanitarian purposes; or (ii) journalistic activities.

"Private market fund" means any private equity fund, private equity fund of funds, venture capital fund, hedge fund, hedge fund of funds, real estate fund, or other investment vehicle that is not publicly traded.

"Republic of the Sudan" means those geographic areas of the Republic of Sudan that are subject to sanction or other restrictions placed on commercial activity imposed by the United States Government due to an executive or congressional declaration of genocide.

"Retirement system" means the State Employees' Retirement System of Illinois, the Judges Retirement System of Illinois, the General Assembly Retirement System, the State Universities Retirement System, and the Teachers' Retirement System of the State of Illinois.

(c) A retirement system shall not transfer or disburse funds to, deposit into, acquire any bonds or commercial paper from, or otherwise loan to or invest in any entity unless, as provided in this Section, a certifying company certifies to the retirement system that, (1) with respect to investments in a publicly traded company, the certifying company has relied on information provided by an independent researching firm that specializes in global security risk and (2) 100% of the retirement system's assets for which the certifying company provides services or advice are not and have not been invested or reinvested in any forbidden entity at any time after 4 months after the effective date of this Section.

The certifying company shall make the certification required under this subsection (c) to a retirement system 6 months after the effective date of this Section and annually thereafter. A retirement system shall submit the certifications to the Department, and the Department shall notify the Secretary of Financial and Professional Regulation if a retirement system fails to do so.

(d) With respect to a commitment or investment made pursuant to a written agreement executed prior to the effective date of this Section, each private market fund shall submit to the appropriate certifying company, at no additional cost to the retirement system:

(1) an affidavit sworn under oath in which an expressly authorized officer of the private market fund avers that the private market fund (A) does not own or control any property or asset located in the Republic of the Sudan and (B) does not conduct business operations in the Republic of the Sudan; or

(2) a certificate in which an expressly authorized officer of the private market fund certifies that the private market fund, based on reasonable due diligence,

has determined that, other than direct or indirect investments in companies certified as Non-Government Organizations by the United Nations, the private market fund has no direct or indirect investment in any company (A) organized under the laws of the Republic of the Sudan; (B) whose principal place of business is in the Republic of the Sudan; or (C) that conducts business operations in the Republic of the Sudan. Such certificate shall be based upon the periodic reports received by the private market fund, and the private market fund shall agree that the certifying company, directly or through an agent, or the retirement system, as the case may be, may from time to time review the private market fund's certification process.

(e) With respect to a commitment or investment made pursuant to a written agreement executed after the effective date of this Section, each private market fund shall, at no additional cost to the retirement system:

(1) submit to the appropriate certifying company an affidavit or certificate consistent with the requirements pursuant to subsection (d) of this Section; or

(2) enter into an enforceable written agreement with the retirement system that provides for remedies consistent with those set forth in subsection (g) of this Section if any of the assets of the retirement system shall be transferred, loaned, or otherwise invested in any company that directly or indirectly (A) has facilities or employees in the Republic of the Sudan or (B) conducts business operations in the Republic of the Sudan.

(f) In addition to any other penalties and remedies available under the law of Illinois and the United States, any transaction, other than a transaction with a private market fund that is governed by subsections (g) and (h) of this Section, that violates the provisions of this Act shall be against public policy and voidable, at the sole discretion of the retirement system.

(g) If a private market fund fails to provide the affidavit or certification required in subsections (d) and (e) of this Section, then the retirement system shall, within 90 days, divest, or attempt in good faith to divest, the retirement system's interest in the private market fund, provided that the Board of the retirement system confirms through resolution that the divestment does not have a material and adverse impact on the retirement system. The retirement system shall immediately notify the Department, and the Department shall notify all other retirement systems, as soon as practicable, by posting the name of the private market fund on the Department's Internet website or through e-mail communications. No other retirement system may enter into any agreement under which the retirement system directly or indirectly invests in the private market fund unless the private market fund provides that retirement system with the affidavit or certification required in subsections (d) and (e) of this Section and complies with all other provisions of this Section.

(h) If a private market fund fails to fulfill its obligations under any agreement provided for in paragraph (2) of subsection (e) of this Section, the retirement system shall immediately take legal and other action to obtain satisfaction through all remedies and penalties available under the law and

the agreement itself. The retirement system shall immediately notify the Department, and the Department shall notify all other retirement systems, as soon as practicable, by posting the name of the private market fund on the Department's Internet website or through e-mail communications, and no other retirement system may enter into any agreement under which the retirement system directly or indirectly invests in the private market fund.

(i) This Section shall have full force and effect during any period in which the Republic of the Sudan, or the officials of the government of that Republic, are subject to sanctions authorized under any statute or executive order of the United States or until such time as the State Department of the United States confirms in the federal register or through other means that the Republic of the Sudan is no longer subject to sanctions by the government of the United States.

(j) If any provision of this Section or its application to any person or circumstance is held invalid, the invalidity of that provision or application does not affect other provisions or applications of this Section that can be given effect without the invalid provision or application.

(Source: P.A. 95-521, eff. 8-28-07.)

(40 ILCS 5/1-110.10)

Sec. 1-110.10. Servicer certification.

(a) For the purposes of this Section:

"Illinois finance entity" means any entity chartered under the Illinois Banking Act, the Savings Bank Act, the Illinois Credit Union Act, or the Illinois Savings and Loan Act of 1985 and any person or entity licensed under the Residential Mortgage License Act of 1987, the Consumer Installment Loan Act, or the Sales Finance Agency Act.

"Retirement system or pension fund" means a retirement system or pension fund established under this Code.

(b) In order for an Illinois finance entity to be eligible for investment or deposit of retirement system or pension fund assets, the Illinois finance entity must annually certify that it complies with the requirements of the High Risk Home Loan Act and the rules adopted pursuant to that Act that are applicable to that Illinois finance entity. For Illinois finance entities with whom the retirement system or pension fund is investing or depositing assets on the effective date of this Section, the initial certification required under this Section shall be completed within 6 months after the effective date of this Section. For Illinois finance entities with whom the retirement system or pension fund is not investing or depositing assets on the effective date of this Section, the initial certification required under this Section must be completed before the retirement system or pension fund may invest or deposit assets with the Illinois finance entity.

(c) A retirement system or pension fund shall submit the certifications to the Public Pension Division of the Department of Financial and Professional Regulation, and the Division shall notify the Secretary of Financial and Professional Regulation if a retirement system or pension fund fails to do so.

(d) If an Illinois finance entity fails to provide an initial certification within 6 months after the effective date of this Section or fails to submit an annual certification,

then the retirement system or pension fund shall notify the Illinois finance entity. The Illinois finance entity shall, within 30 days after the date of notification, either (i) notify the retirement system or pension fund of its intention to certify and complete certification or (ii) notify the retirement system or pension fund of its intention to not complete certification. If an Illinois finance entity fails to provide certification, then the retirement system or pension fund shall, within 90 days, divest, or attempt in good faith to divest, the retirement system's or pension fund's assets with that Illinois finance entity. The retirement system or pension fund shall immediately notify the Department of the Illinois finance entity's failure to provide certification.

(e) If any provision of this Section or its application to any person or circumstance is held invalid, the invalidity of that provision or application does not affect other provisions or applications of this Section that can be given effect without the invalid provision or application.

(Source: P.A. 95-521, eff. 8-28-07; 95-876, eff. 8-21-08.)

(40 ILCS 5/1-110.15)

Sec. 1-110.15. Transactions prohibited by retirement systems; Iran.

(a) As used in this Section:

"Active business operations" means all business operations that are not inactive business operations.

"Business operations" means engaging in commerce in any form in Iran, including, but not limited to, acquiring, developing, maintaining, owning, selling, possessing, leasing, or operating equipment, facilities, personnel, products, services, personal property, real property, or any other apparatus of business or commerce.

"Company" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of those entities or business associations, that exists for the purpose of making profit.

"Direct holdings" in a company means all securities of that company that are held directly by the retirement system or in an account or fund in which the retirement system owns all shares or interests.

"Inactive business operations" means the mere continued holding or renewal of rights to property previously operated for the purpose of generating revenues but not presently deployed for that purpose.

"Indirect holdings" in a company means all securities of that company which are held in an account or fund, such as a mutual fund, managed by one or more persons not employed by the retirement system, in which the retirement system owns shares or interests together with other investors not subject to the provisions of this Section.

"Mineral-extraction activities" include exploring, extracting, processing, transporting, or wholesale selling or trading of elemental minerals or associated metal alloys or oxides (ore), including gold, copper, chromium, chromite, diamonds, iron, iron ore, silver, tungsten, uranium, and zinc.

"Oil-related activities" include, but are not limited to, owning rights to oil blocks; exporting, extracting, producing,

refining, processing, exploring for, transporting, selling, or trading of oil; and constructing, maintaining, or operating a pipeline, refinery, or other oil-field infrastructure. The mere retail sale of gasoline and related consumer products is not considered an oil-related activity.

"Petroleum resources" means petroleum, petroleum byproducts, or natural gas.

"Private market fund" means any private equity fund, private equity fund of funds, venture capital fund, hedge fund, hedge fund of funds, real estate fund, or other investment vehicle that is not publicly traded.

"Retirement system" means the State Employees' Retirement System of Illinois, the Judges Retirement System of Illinois, the General Assembly Retirement System, the State Universities Retirement System, and the Teachers' Retirement System of the State of Illinois.

"Scrutinized business operations" means business operations that have caused a company to become a scrutinized company.

"Scrutinized company" means the company has business operations that involve contracts with or provision of supplies or services to the Government of Iran, companies in which the Government of Iran has any direct or indirect equity share, consortiums or projects commissioned by the Government of Iran, or companies involved in consortiums or projects commissioned by the Government of Iran and:

(1) more than 10% of the company's revenues produced in or assets located in Iran involve oil-related activities or mineral-extraction activities; less than 75% of the company's revenues produced in or assets located in Iran involve contracts with or provision of oil-related or mineral-extraction products or services to the Government of Iran or a project or consortium created exclusively by that government; and the company has failed to take substantial action; or

(2) the company has, on or after August 5, 1996, made an investment of \$20 million or more, or any combination of investments of at least \$10 million each that in the aggregate equals or exceeds \$20 million in any 12-month period, that directly or significantly contributes to the enhancement of Iran's ability to develop petroleum resources of Iran.

"Substantial action" means adopting, publicizing, and implementing a formal plan to cease scrutinized business operations within one year and to refrain from any such new business operations.

(b) Within 90 days after the effective date of this Section, a retirement system shall make its best efforts to identify all scrutinized companies in which the retirement system has direct or indirect holdings.

These efforts shall include the following, as appropriate in the retirement system's judgment:

(1) reviewing and relying on publicly available information regarding companies having business operations in Iran, including information provided by nonprofit organizations, research firms, international organizations, and government entities;

(2) contacting asset managers contracted by the retirement system that invest in companies having business operations in Iran; and

(3) Contacting other institutional investors that have divested from or engaged with companies that have business operations in Iran.

The retirement system may retain an independent research firm to identify scrutinized companies in which the retirement system has direct or indirect holdings. By the first meeting of the retirement system following the 90-day period described in this subsection (b), the retirement system shall assemble all scrutinized companies identified into a scrutinized companies list.

The retirement system shall update the scrutinized companies list annually based on evolving information from, among other sources, those listed in this subsection (b).

(c) The retirement system shall adhere to the following procedures for companies on the scrutinized companies list:

(1) The retirement system shall determine the companies on the scrutinized companies list in which the retirement system owns direct or indirect holdings.

(2) For each company identified in item (1) of this subsection (c) that has only inactive business operations, the retirement system shall send a written notice informing the company of this Section and encouraging it to continue to refrain from initiating active business operations in Iran until it is able to avoid scrutinized business operations. The retirement system shall continue such correspondence semiannually.

(3) For each company newly identified in item (1) of this subsection (c) that has active business operations, the retirement system shall send a written notice informing the company of its scrutinized company status and that it may become subject to divestment by the retirement system. The notice must inform the company of the opportunity to clarify its Iran-related activities and encourage the company, within 90 days, to cease its scrutinized business operations or convert such operations to inactive business operations in order to avoid qualifying for divestment by the retirement system.

(4) If, within 90 days after the retirement system's first engagement with a company pursuant to this subsection (c), that company ceases scrutinized business operations, the company shall be removed from the scrutinized companies list and the provisions of this Section shall cease to apply to it unless it resumes scrutinized business operations. If, within 90 days after the retirement system's first engagement, the company converts its scrutinized active business operations to inactive business operations, the company is subject to all provisions relating thereto.

(d) If, after 90 days following the retirement system's first engagement with a company pursuant to subsection (c), the company continues to have scrutinized active business operations, and only while such company continues to have scrutinized active business operations, the retirement system shall sell, redeem, divest, or withdraw all publicly traded securities of the company, except as provided in paragraph (f), from the retirement system's assets under management within 12 months after the company's most recent appearance on the scrutinized companies list.

If a company that ceased scrutinized active business operations following engagement pursuant to subsection (c)

resumes such operations, this subsection (d) immediately applies, and the retirement system shall send a written notice to the company. The company shall also be immediately reintroduced onto the scrutinized companies list.

(e) The retirement system may not acquire securities of companies on the scrutinized companies list that have active business operations, except as provided in subsection (f).

(f) A company that the United States Government affirmatively declares to be excluded from its present or any future federal sanctions regime relating to Iran is not subject to divestment or the investment prohibition pursuant to subsections (d) and (e).

(g) Notwithstanding the provisions of this Section, paragraphs (d) and (e) do not apply to indirect holdings in a private market fund. However, the retirement system shall submit letters to the managers of those investment funds containing companies that have scrutinized active business operations requesting that they consider removing the companies from the fund or create a similar actively managed fund having indirect holdings devoid of the companies. If the manager creates a similar fund, the retirement system shall replace all applicable investments with investments in the similar fund in an expedited timeframe consistent with prudent investing standards.

(h) The retirement system shall file a report with the Public Pension Division of the Department of Financial and Professional Regulation that includes the scrutinized companies list within 30 days after the list is created. This report shall be made available to the public.

The retirement system shall file an annual report with the Public Pension Division, which shall be made available to the public, that includes all of the following:

(1) A summary of correspondence with companies engaged by the retirement system under items (2) and (3) of subsection (c).

(2) All investments sold, redeemed, divested, or withdrawn in compliance with subsection (d).

(3) All prohibited investments under subsection (e).

(4) A summary of correspondence with private market funds notified under subsection (g).

(i) This Section expires upon the occurrence of any of the following:

(1) The United States revokes all sanctions imposed against the Government of Iran.

(2) The Congress or President of the United States declares that the Government of Iran has ceased to acquire weapons of mass destruction and to support international terrorism.

(3) The Congress or President of the United States, through legislation or executive order, declares that mandatory divestment of the type provided for in this Section interferes with the conduct of United States foreign policy.

(j) With respect to actions taken in compliance with this Act, including all good-faith determinations regarding companies as required by this Act, the retirement system is exempt from any conflicting statutory or common law obligations, including any fiduciary duties under this Article and any obligations with respect to choice of asset managers, investment funds, or investments for the retirement system's

securities portfolios.

(k) Notwithstanding any other provision of this Section to the contrary, the retirement system may cease divesting from scrutinized companies pursuant to subsection (d) or reinvest in scrutinized companies from which it divested pursuant to subsection (d) if clear and convincing evidence shows that the value of investments in scrutinized companies with active scrutinized business operations becomes equal to or less than 0.5% of the market value of all assets under management by the retirement system. Cessation of divestment, reinvestment, or any subsequent ongoing investment authorized by this Section is limited to the minimum steps necessary to avoid the contingency set forth in this subsection (k). For any cessation of divestment, reinvestment, or subsequent ongoing investment authorized by this Section, the retirement system shall provide a written report to the Public Pension Division in advance of initial reinvestment, updated semiannually thereafter as applicable, setting forth the reasons and justification, supported by clear and convincing evidence, for its decisions to cease divestment, reinvest, or remain invested in companies having scrutinized active business operations. This Section does not apply to reinvestment in companies on the grounds that they have ceased to have scrutinized active business operations.

(l) If any provision of this Section or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of the Act which can be given effect without the invalid provision or application, and to this end the provisions of this Section are severable.

(Source: P.A. 95-616, eff. 1-1-08; 95-876, eff. 8-21-08.)

(40 ILCS 5/1-110.16)

Sec. 1-110.16. Transactions prohibited by retirement systems; companies that boycott Israel, Iran-restricted companies, and Sudan-restricted companies.

(a) As used in this Section:

"Boycott Israel" means engaging in actions that are politically motivated and are intended to penalize, inflict economic harm on, or otherwise limit commercial relations with the State of Israel or companies based in the State of Israel or in territories controlled by the State of Israel.

"Company" means any sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or other entity or business association, including all wholly owned subsidiaries, majority-owned subsidiaries, parent companies, or affiliates of those entities or business associations, that exist for the purpose of making profit.

"Illinois Investment Policy Board" means the board established under subsection (b) of this Section.

"Direct holdings" in a company means all publicly traded securities of that company that are held directly by the retirement system in an actively managed account or fund in which the retirement system owns all shares or interests.

"Indirect holdings" in a company means all securities

of that company that are held in an account or fund, such as a mutual fund, managed by one or more persons not employed by the retirement system, in which the retirement system owns shares or interests together with other investors not subject to the provisions of this Section or that are held in an index fund.

"Iran-restricted company" means a company that meets the qualifications under Section 1-110.15 of this Code.

"Private market fund" means any private equity fund, private equity funds of funds, venture capital fund, hedge fund, hedge fund of funds, real estate fund, or other investment vehicle that is not publicly traded.

"Restricted companies" means companies that boycott Israel, Iran-restricted companies, and Sudan-restricted companies.

"Retirement system" means a retirement system established under Article 2, 14, 15, 16, or 18 of this Code or the Illinois State Board of Investment.

"Sudan-restricted company" means a company that meets the qualifications under Section 1-110.6 of this Code.

(b) There shall be established an Illinois Investment Policy Board. The Illinois Investment Policy Board shall consist of 7 members. Each board of a pension fund or investment board created under Article 15, 16, or 22A of this Code shall appoint one member, and the Governor shall appoint 4 members.

(c) Notwithstanding any provision of law to the contrary, beginning January 1, 2016, Sections 110.15 and 1-110.6 of this Code shall be administered in accordance with this Section.

(d) By April 1, 2016, the Illinois Investment Policy Board shall make its best efforts to identify all Iran-restricted companies, Sudan-restricted companies, and companies that boycott Israel and assemble those identified companies into a list of restricted companies, to be distributed to each retirement system.

These efforts shall include the following, as appropriate in the Illinois Investment Policy Board's judgment:

(1) reviewing and relying on publicly available information regarding Iran-restricted companies, Sudan-restricted companies, and companies that boycott Israel, including information provided by nonprofit organizations, research firms, and government entities;

(2) contacting asset managers contracted by the retirement systems that invest in Iran-restricted companies, Sudan-restricted companies, and companies that boycott Israel;

(3) contacting other institutional investors that have divested from or engaged with Iran-restricted companies, Sudan-restricted companies, and companies that boycott Israel; and

(4) retaining an independent research firm to identify Iran-restricted companies, Sudan-restricted companies, and companies that boycott Israel.

The Illinois Investment Policy Board shall review the list of restricted companies on a quarterly basis based on evolving information from, among other sources, those listed in this subsection (d) and distribute any updates to the list of restricted companies to the retirement systems.

(e) The Illinois Investment Policy Board shall adhere to the following procedures for companies on the list of

restricted companies:

(1) For each company newly identified in subsection (d), the Illinois Investment Policy Board shall send a written notice informing the company of its status and that it may become subject to divestment by the retirement systems.

(2) If, following the Illinois Investment Policy Board's engagement pursuant to this subsection (e) with a restricted company, that company ceases activity that designates the company to be an Iran-restricted company, a Sudan-restricted company, or a company that boycotts Israel, the company shall be removed from the list of restricted companies and the provisions of this Section shall cease to apply to it unless it resumes such activities.

(f) The retirement system shall adhere to the following procedures for companies on the list of restricted companies:

(1) The retirement system shall identify those companies on the list of restricted companies in which the retirement system owns direct holdings and indirect holdings.

(2) The retirement system shall instruct its investment advisors to sell, redeem, divest, or withdraw all direct holdings of restricted companies from the retirement system's assets under management in an orderly and fiduciarily responsible manner within 12 months after the company's most recent appearance on the list of restricted companies.

(3) The retirement system may not acquire securities of restricted companies.

(4) The provisions of this subsection (f) do not apply to the retirement system's indirect holdings or private market funds. The Illinois Investment Policy Board shall submit letters to the managers of those investment funds containing restricted companies requesting that they consider removing the companies from the fund or create a similar actively managed fund having indirect holdings devoid of the companies. If the manager creates a similar fund, the retirement system shall replace all applicable investments with investments in the similar fund in an expedited timeframe consistent with prudent investing standards.

(g) Upon request, and at least annually, each retirement system shall provide the Illinois Investment Policy Board with information regarding investments sold, redeemed, divested, or withdrawn in compliance with this Section.

(h) Notwithstanding any provision of this Section to the contrary, a retirement system may cease divesting from companies pursuant to subsection (f) if clear and convincing evidence shows that the value of investments in such companies becomes equal to or less than 0.5% of the market value of all assets under management by the retirement system. For any cessation of divestment authorized by this subsection (h), the retirement system shall provide a written notice to the Illinois Investment Policy Board in advance of the cessation of divestment, setting forth the reasons and justification, supported by clear and convincing evidence, for its decision to cease divestment under subsection (f).

(i) The cost associated with the activities of the Illinois Investment Policy Board shall be borne by the boards

of each pension fund or investment board created under Article 15, 16, or 22A of this Code.

(j) With respect to actions taken in compliance with this Section, including all good-faith determinations regarding companies as required by this Section, the retirement system and Illinois Investment Policy Board are exempt from any conflicting statutory or common law obligations, including any fiduciary duties under this Article and any obligations with respect to choice of asset managers, investment funds, or investments for the retirement system's securities portfolios.

(k) It is not the intent of the General Assembly in enacting this amendatory Act of the 99th General Assembly to cause divestiture from any company based in the United States of America. The Illinois Investment Policy Board shall consider this intent when developing or reviewing the list of restricted companies.

(l) If any provision of this amendatory Act of the 99th General Assembly or its application to any person or circumstance is held invalid, the invalidity of that provision or application does not affect other provisions or applications of this amendatory Act of the 99th General Assembly that can be given effect without the invalid provision or application.

(Source: P.A. 99-128, eff. 7-23-15.)

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

Sec. 1-111. Ten Per Cent Limitation of Employer Securities. A plan may not acquire a security issued by an employer of employees covered by the retirement system or pension fund, if immediately after such acquisition, the aggregate fair market value of such employer securities held by the retirement system or pension fund exceed 10 per cent of the fair market value of the assets of the retirement system or pension fund.

(Source: P.A. 81-948.)

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

Sec. 1-113. Investment authority of certain pension funds, not including those established under Article 3 or 4. The investment authority of a board of trustees of a retirement system or pension fund established under this Code shall, if so provided in the Article establishing such retirement system or pension fund, embrace the following investments:

(1) Bonds, notes and other direct obligations of the United States Government; bonds, notes and other obligations of any United States Government agency or instrumentality, whether or not guaranteed; and obligations the principal and interest of which are guaranteed unconditionally by the United States Government or by an agency or instrumentality thereof.

(2) Obligations of the Inter-American Development Bank, the International Bank for Reconstruction and Development, the African Development Bank, the International Finance Corporation, and the Asian Development Bank.

(3) Obligations of any state, or of any political subdivision in Illinois, or of any county or city in any other state having a population as shown by the last federal census of not less than 30,000 inhabitants provided that such political subdivision is not permitted by law to become indebted in excess of 10% of the assessed valuation of

property therein and has not defaulted for a period longer than 30 days in the payment of interest and principal on any of its general obligations or indebtedness during a period of 10 calendar years immediately preceding such investment.

(4) Nonconvertible bonds, debentures, notes and other corporate obligations of any corporation created or existing under the laws of the United States or any state, district or territory thereof, provided there has been no default on the obligations of the corporation or its predecessor(s) during the 5 calendar years immediately preceding the purchase. Up to 5% of the assets of a pension fund established under Article 9 of this Code may be invested in nonconvertible bonds, debentures, notes, and other corporate obligations of corporations created or existing under the laws of a foreign country, provided there has been no default on the obligations of the corporation or its predecessors during the 5 calendar years immediately preceding the date of purchase.

(5) Obligations guaranteed by the Government of Canada, or by any Province of Canada, or by any Canadian city with a population of not less than 150,000 inhabitants, provided (a) they are payable in United States currency and are exempt from any Canadian withholding tax; (b) the investment in any one issue of bonds shall not exceed 10% of the amount outstanding; and (c) the total investments at book value in Canadian securities shall be limited to 5% of the total investment account of the board at book value.

(5.1) Direct obligations of the State of Israel for the payment of money, or obligations for the payment of money which are guaranteed as to the payment of principal and interest by the State of Israel, or common or preferred stock or notes issued by a bank owned or controlled in whole or in part by the State of Israel, on the following conditions:

(a) The total investments in such obligations shall not exceed 5% of the book value of the aggregate investments owned by the board;

(b) The State of Israel shall not be in default in the payment of principal or interest on any of its direct general obligations on the date of such investment;

(c) The bonds, stock or notes, and interest thereon shall be payable in currency of the United States;

(d) The bonds shall (1) contain an option for the redemption thereof after 90 days from date of purchase or (2) either become due 5 years from the date of their purchase or be subject to redemption 120 days after the date of notice for redemption;

(e) The investment in these obligations has been approved in writing by investment counsel employed by the board, which counsel shall be a national or state bank or trust company authorized to do a trust business in the State of Illinois, or an investment advisor qualified under the Federal Investment Advisors Act of 1940 and registered under the Illinois Securities Act of 1953;

(f) The fund or system making the investment shall have at least \$5,000,000 of net present assets.

(6) Notes secured by mortgages under Sections 203, 207, 220 and 221 of the National Housing Act which are insured by the Federal Housing Commissioner, or his successor assigns, or debentures issued by such Commissioner, which are guaranteed as to principal and interest by the Federal Housing Administration, or agency of the United States Government,

provided the aggregate investment shall not exceed 20% of the total investment account of the board at book value, and provided further that the investment in such notes under Sections 220 and 221 shall in no event exceed one-half of the maximum investment in notes under this paragraph.

(7) Loans to veterans guaranteed in whole or part by the United States Government pursuant to Title III of the Act of Congress known as the "Servicemen's Readjustment Act of 1944," 58 Stat. 284, 38 U.S.C. 693, as amended or supplemented from time to time, provided such guaranteed loans are liens upon real estate.

(8) Common and preferred stocks and convertible debt securities authorized for investment of trust funds under the laws of the State of Illinois, provided:

(a) the common stocks, except as provided in subparagraph (g), are listed on a national securities exchange or board of trade, as defined in the federal Securities Exchange Act of 1934, or quoted in the National Association of Securities Dealers Automated Quotation System (NASDAQ);

(b) the securities are of a corporation created or existing under the laws of the United States or any state, district or territory thereof, except that up to 5% of the assets of a pension fund established under Article 9 of this Code may be invested in securities issued by corporations created or existing under the laws of a foreign country, if those securities are otherwise in conformance with this paragraph (8);

(c) the corporation is not in arrears on payment of dividends on its preferred stock;

(d) the total book value of all stocks and convertible debt owned by any pension fund or retirement system shall not exceed 40% of the aggregate book value of all investments of such pension fund or retirement system, except for a pension fund or retirement system governed by Article 9 or 17, where the total of all stocks and convertible debt shall not exceed 50% of the aggregate book value of all fund investments, and except for a pension fund or retirement system governed by Article 13, where the total market value of all stocks and convertible debt shall not exceed 65% of the aggregate market value of all fund investments;

(e) the book value of stock and convertible debt investments in any one corporation shall not exceed 5% of the total investment account at book value in which such securities are held, determined as of the date of the investment, and the investments in the stock of any one corporation shall not exceed 5% of the total outstanding stock of such corporation, and the investments in the convertible debt of any one corporation shall not exceed 5% of the total amount of such debt that may be outstanding;

(f) the straight preferred stocks or convertible preferred stocks and convertible debt securities are issued or guaranteed by a corporation whose common stock qualifies for investment by the board; and

(g) that any common stocks not listed or quoted as provided in subdivision 8(a) above be limited to the following types of institutions: (a) any bank which is a member of the Federal Deposit Insurance Corporation having

capital funds represented by capital stock, surplus and undivided profits of at least \$20,000,000; (b) any life insurance company having capital funds represented by capital stock, special surplus funds and unassigned surplus totalling at least \$50,000,000; and (c) any fire or casualty insurance company, or a combination thereof, having capital funds represented by capital stock, net surplus and voluntary reserves of at least \$50,000,000.

(9) Withdrawable accounts of State chartered and federal chartered savings and loan associations insured by the Federal Savings and Loan Insurance Corporation; deposits or certificates of deposit in State and national banks insured by the Federal Deposit Insurance Corporation; and share accounts or share certificate accounts in a State or federal credit union, the accounts of which are insured as required by the Illinois Credit Union Act or the Federal Credit Union Act, as applicable.

No bank or savings and loan association shall receive investment funds as permitted by this subsection (9), unless it has complied with the requirements established pursuant to Section 6 of the Public Funds Investment Act.

(10) Trading, purchase or sale of listed options on underlying securities owned by the board.

(11) Contracts and agreements supplemental thereto providing for investments in the general account of a life insurance company authorized to do business in Illinois.

(12) Conventional mortgage pass-through securities which are evidenced by interests in Illinois owner-occupied residential mortgages, having not less than an "A" rating from at least one national securities rating service. Such mortgages may have loan-to-value ratios up to 95%, provided that any amount over 80% is insured by private mortgage insurance. The pool of such mortgages shall be insured by mortgage guaranty or equivalent insurance, in accordance with industry standards.

(13) Pooled or commingled funds managed by a national or State bank which is authorized to do a trust business in the State of Illinois, shares of registered investment companies as defined in the federal Investment Company Act of 1940 which are registered under that Act, and separate accounts of a life insurance company authorized to do business in Illinois, where such pooled or commingled funds, shares, or separate accounts are comprised of common or preferred stocks, bonds, or money market instruments.

(14) Pooled or commingled funds managed by a national or state bank which is authorized to do a trust business in the State of Illinois, separate accounts managed by a life insurance company authorized to do business in Illinois, and commingled group trusts managed by an investment adviser registered under the federal Investment Advisors Act of 1940 (15 U.S.C. 80b-1 et seq.) and under the Illinois Securities Law of 1953, where such pooled or commingled funds, separate accounts or commingled group trusts are comprised of real estate or loans upon real estate secured by first or second mortgages. The total investment in such pooled or commingled funds, commingled group trusts and separate accounts shall not exceed 10% of the aggregate book value of all investments owned by the fund.

(15) Investment companies which (a) are registered as such under the Investment Company Act of 1940, (b) are diversified,

open-end management investment companies and (c) invest only in money market instruments.

(16) Up to 10% of the assets of the fund may be invested in investments not included in paragraphs (1) through (15) of this Section, provided that such investments comply with the requirements and restrictions set forth in Sections 1-109, 1-109.1, 1-109.2, 1-110 and 1-111 of this Code.

The board shall have the authority to enter into such agreements and to execute such documents as it determines to be necessary to complete any investment transaction.

Any limitations herein set forth shall be applicable only at the time of purchase and shall not require the liquidation of any investment at any time.

All investments shall be clearly held and accounted for to indicate ownership by such board. Such board may direct the registration of securities in its own name or in the name of a nominee created for the express purpose of registration of securities by a national or state bank or trust company authorized to conduct a trust business in the State of Illinois.

Investments shall be carried at cost or at a value determined in accordance with generally accepted accounting principles and accounting procedures approved by such board.

(Source: P.A. 92-53, eff. 7-12-01.)

(40 ILCS 5/1-113.1)

Sec. 1-113.1. Investment authority of pension funds established under Article 3 or 4. The board of trustees of a police pension fund established under Article 3 of this Code or firefighter pension fund established under Article 4 of this Code shall draw pension funds from the treasurer of the municipality and, beginning January 1, 1998, invest any part thereof in the name of the board in the items listed in Sections 1-113.2 through 1-113.4 according to the limitations and requirements of this Article. These investments shall be made with the care, skill, prudence, and diligence that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims.

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

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

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

(40 ILCS 5/1-113.2)

Sec. 1-113.2. List of permitted investments for all Article 3 or 4 pension funds. Any pension fund established under Article 3 or 4 may invest in the following items:

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

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

(3) Interest bearing bonds, notes, debentures, or other similar obligations of agencies of the United States of America. For the purposes of this Section, "agencies of the United States of America" includes: (i) the Federal National Mortgage Association and the Student Loan Marketing

Association; (ii) federal land banks, federal intermediate credit banks, federal farm credit banks, and any other entity authorized to issue direct debt obligations of the United States of America under the Farm Credit Act of 1971 or amendments to that Act; (iii) federal home loan banks and the Federal Home Loan Mortgage Corporation; and (iv) any agency created by Act of Congress that is authorized to issue direct debt obligations of the United States of America.

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

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

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

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

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

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

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

(11) Money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies; provided that the portfolio of the money market mutual fund is limited to the following:

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

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

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

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

(13) Any combination of the following, not to exceed 10%

of the pension fund's net assets:

(i) separate accounts that are managed by life insurance companies authorized to transact business in Illinois and are comprised of diversified portfolios consisting of common or preferred stocks, bonds, or money market instruments;

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

(iii) mutual funds that meet the following requirements:

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

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

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

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

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

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

(2) If subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager.

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

(40 ILCS 5/1-113.3)

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

(a) In addition to the items in Section 3-113.2, a pension fund established under Article 3 or 4 that has net assets of at least \$2,500,000 may invest a portion of its net assets in the following items:

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

(2) Mutual funds that meet the following requirements:

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

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

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

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

(b) A pension fund's total investment in the items authorized under this Section shall not exceed 35% of the market value of the pension fund's net present assets stated

in its most recent annual report on file with the Illinois Department of Insurance.

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

(40 ILCS 5/1-113.4)

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

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

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

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

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

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

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

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

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

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

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

(40 ILCS 5/1-113.4a)

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

(a) In addition to the items in Sections 1-113.2 and 1-113.3, a pension fund established under Article 3 or 4 that has net assets of at least \$10,000,000 and has appointed an

investment adviser, as defined under Sections 1-101.4 and 1-113.5, may, through that investment adviser, invest an additional portion of its assets in common and preferred stocks and mutual funds.

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

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

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

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

(4) The straight preferred stocks or convertible preferred stocks must be issued or guaranteed by a corporation whose common stock qualifies for investment by the board.

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

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

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

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

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

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

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

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

(40 ILCS 5/1-113.5)

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

(a) The board of trustees of a pension fund may appoint investment advisers as defined in Section 1-101.4. The board of any pension fund investing in common or preferred stock under Section 1-113.4 shall appoint an investment adviser before making such investments.

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

(1) an investment adviser registered under the

federal Investment Advisers Act of 1940 and the Illinois Securities Law of 1953;

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

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

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

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

(1) The offeror.

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

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

Beginning on July 1, 2008, a person, other than a trustee or an employee of a pension fund or retirement system, may not act as a consultant under this Section unless that person is at least one of the following: (i) registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.); (ii) registered as an investment adviser under the Illinois Securities Law of 1953; (iii) a bank, as defined in the Investment Advisers Act of 1940; or (iv) an insurance company authorized to transact business in this State.

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

The contract shall include all of the following:

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

(2) the board's investment policy;

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

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

(b-5) Each contract described in subsection (b) shall also include (i) full disclosure of direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf

of the investment adviser or consultant in connection with the provision of services to the pension fund and (ii) a requirement that the investment adviser or consultant update the disclosure promptly after a modification of those payments or an additional payment.

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

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

The disclosures required by this subsection shall be in writing and shall include the date and amount of each payment and the name and address of each recipient of a payment.

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

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

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

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

(40 ILCS 5/1-113.6)

Sec. 1-113.6. Investment policies. Every board of trustees of a pension fund shall adopt a written investment policy and file a copy of that policy with the Department of Insurance within 30 days after its adoption. Whenever a board changes its investment policy, it shall file a copy of the new policy with the Department within 30 days.

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

(40 ILCS 5/1-113.7)

Sec. 1-113.7. Registration of investments; custody and safekeeping. The board of trustees may register the investments of its pension fund in the name of the pension fund, in the nominee name of a bank or trust company authorized to conduct a trust business in Illinois, or in the nominee name of the Illinois Public Treasurer's Investment Pool.

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

A dealer may not maintain possession of or control over securities of a pension fund subject to the provisions of this Section unless it is registered as a broker-dealer with the U.S. Securities and Exchange Commission and is a member in good standing of the National Association of Securities Dealers, and (1) with respect to securities that are not issued only in book-entry form, (A) all such securities of each fund are either held in safekeeping in a place reasonably free from risk of destruction or held in custody by a securities depository that is a "clearing agency" registered with the U.S. Securities and Exchange Commission, (B) the dealer is a member of the Securities Investor Protection Corporation, (C) the dealer sends to each fund, no less frequently than each calendar quarter, an itemized statement showing the moneys and securities in the custody or possession of the dealer at the end of such period, and (D) an independent certified public accountant conducts an audit, no less frequently than each calendar year, that reviews the dealer's internal accounting controls and procedures for safeguarding securities; and (2) with respect to securities that are issued only in book-entry form, (A) all such securities of each fund are held either in a securities depository that is a "clearing agency" registered with the U.S. Securities and Exchange Commission or in a bank that is a member of the Federal Reserve System, (B) the dealer records the ownership interest of the funds in such securities on the dealer's books and records, (C) the dealer is a member of the Securities Investor Protection Corporation, (D) the dealer sends to each fund, no less frequently than each calendar quarter, an itemized statement showing the moneys and securities in the custody or possession of the dealer at the end of such period, and (E) the dealer's financial statement (which shall contain among other things a statement of the dealer's net capital and its required net capital computed in accordance with Rule 15c3-1 under the Securities Exchange Act of 1934) is audited annually by an independent certified public accountant, and the dealer's most recent audited financial statement is furnished to the fund. No broker-dealer serving as a custodian for any public pension fund as provided by this Act shall be authorized to serve as an investment advisor for that same public pension fund as described in Section 1-101.4 of this Code, to the extent that the investment advisor acquires or disposes of any asset of that same public pension fund. Notwithstanding the foregoing, in no event may a broker or dealer that is a natural person maintain possession of or control over securities or other assets of a pension fund subject to the provisions of this Section. In maintaining securities of a pension fund subject to the provisions of this Section, each dealer must maintain those securities in conformity with the provisions of Rule 15c3-3(b) of the Securities Exchange Act of 1934 (Physical Possession or Control of Securities). The Director of the Department of Insurance may adopt such rules and regulations as shall be

necessary and appropriate in his or her judgment to effectuate the purposes of this Section.

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

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

(40 ILCS 5/1-113.8)

Sec. 1-113.8. Limitations on banks and savings and loan associations. A bank or savings and loan association shall not receive investment funds from a pension fund established under Article 3 or 4 of this Code, unless it has complied with the requirements established under Section 6 of the Public Funds Investment Act. The limitations set forth in that Section 6 are applicable only at the time of investment and do not require the liquidation of any investment at any time.

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

(40 ILCS 5/1-113.9)

Sec. 1-113.9. Illegal investments. A person registered as a dealer, salesperson, or investment adviser under the Illinois Securities Law of 1953 who sells a pension fund a security, or engages in a transaction with a pension fund, that is not authorized by this Code, shall be subject to the penalty provisions of Subsection E of Section 8 of the Illinois Securities Law of 1953, if (1) the dealer, salesperson, or investment adviser has discretionary authority or control over the fund's assets and has acknowledged in writing that it is acting in a fiduciary capacity for the fund, (2) the fund has requested the investment advice of the dealer, salesperson, or investment adviser and has provided the dealer, salesperson, or investment adviser with its investment policy, and the dealer, salesperson, or investment adviser acknowledges in writing that the fund is relying primarily on the investment advice of that dealer, salesperson, or investment adviser, or (3) the dealer, salesperson, or investment adviser knows or has reason to know that the fund is not capable of independently evaluating investment risk or exercising independent judgment with respect to a particular securities transaction, and nonetheless recommends that the fund engage in that transaction.

A bank or trust company authorized to conduct a trust business in Illinois or a broker-dealer, and any officer, director, or employee thereof, that advises or causes a pension fund to make an investment or engages in a transaction not authorized by this Code is subject to the penalty provisions of Article V of the Corporate Fiduciary Act.

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

(40 ILCS 5/1-113.10)

Sec. 1-113.10. Legality at time of investment. The investment limitations set forth in this Article are applicable only at the time of investment and do not require the liquidation of any investment at any time. However, no additional pension funds may be invested in any investment item while the market value of the pension fund's investments

in that item meets or exceeds the applicable limitation.
(Source: P.A. 90-507, eff. 8-22-97.)

(40 ILCS 5/1-113.11)

Sec. 1-113.11. Rules. The Department of Insurance is authorized to promulgate rules that are necessary or useful for the administration and enforcement of Sections 1-113.1 through 1-113.10 of this Article.
(Source: P.A. 90-507, eff. 8-22-97.)

(40 ILCS 5/1-113.12)

Sec. 1-113.12. Application. Sections 1-113.1 through 1-113.10 apply only to pension funds established under Article 3 or 4 of this Code.
(Source: P.A. 90-507, eff. 8-22-97.)

(40 ILCS 5/1-113.14)

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

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

(b) The selection and appointment of an investment adviser or consultant for investment services by the board of a retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2, shall be made and awarded in accordance with this Section. All contracts for investment services shall be awarded by the board using a competitive process that is substantially similar to the process required for the procurement of professional and artistic services under Article 35 of the Illinois Procurement Code. Each board of trustees shall adopt a policy in accordance with this subsection (b) within 60 days after the effective date of this amendatory Act of the 96th General Assembly. The policy shall be posted on its web site and filed with the Illinois Procurement Policy Board. Exceptions to this Section are allowed for (i) sole source procurements, (ii) emergency procurements, (iii) at the discretion of the pension fund, retirement system, or board of investment, contracts that are nonrenewable and one year or less in duration, so long as the contract has a value of less than \$20,000, and (iv) in the discretion of the pension fund, retirement system, or investment board, contracts for follow-on funds with the same fund sponsor through closed-end funds. All exceptions granted under this Section must be published on the system's, fund's, or board's web site, shall name the person authorizing the procurement, and shall include a brief explanation of the reason for the exception.

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

(c) Investment services provided by an investment adviser or a consultant appointed under this Section shall be rendered

pursuant to a written contract between the investment adviser or consultant and the board.

The contract shall include all of the following:

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

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

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

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

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

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

(7) A description of service to be performed.

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

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

(10) A description of the qualifications necessary.

(11) The duration of the contract.

(12) The method for charging and measuring cost.

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

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

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

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

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

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

(40 ILCS 5/1-113.15)

Sec. 1-113.15. Qualified fund-of-fund management services.

(a) As used in this Section:

"Qualified fund-of-fund management services" means either

(i) the services of an investment adviser acting in its capacity as an investment manager of a fund-of-funds or (ii) an investment adviser acting in its capacity as an investment manager of a separate account that is invested on a side-by-side basis in a substantially identical manner to a fund-of-funds, in each case pursuant to qualified written agreements.

"Qualified written agreements" means one or more written contracts to which the investment adviser and the board are parties and includes all of the following: (i) the matters described in items (1), (4), (5), (7), (11), and (12) of subsection (c) of Section 1-113.14; (ii) a description of any fees, commissions, penalties, and other compensation payable, if any, directly by the retirement system, pension fund, or investment board (which shall not include any fees, commissions, penalties, and other compensation payable from the assets of the fund-of-funds or separate account); (iii) a description (or method of calculation) of the fees and expenses payable by the Fund to the investment adviser and the

timing of the payment of the fees or expenses; and (iv) a description (or method of calculation) of any carried interest or other performance based interests, fees, or payments allocable by the Fund to the investment adviser or an affiliate of the investment adviser and the priority of distributions with respect to such interest.

(b) A description of every contract for qualified fund-of-fund management services must be posted in a conspicuous manner on the web site of the retirement system, pension fund, or investment board. The description must include the name of the fund-of-funds, the name of its investment adviser, the total investment commitment of the retirement system, pension fund, or investment board to invest in such fund-of-funds, and a disclosure approved by the board describing the factors that contributed to the investment in such fund-of-funds. No information that is exempt from inspection pursuant to Section 7 of the Freedom of Information Act shall be disclosed under this Section.

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

(40 ILCS 5/1-113.16)

Sec. 1-113.16. Investment transparency.

(a) The purpose of this Section is to provide for transparency in the investment of retirement or pension funds and require the reporting of full and complete information regarding the investments by pension funds, retirement systems, and investment boards.

(b) A retirement system, pension fund, or investment board subject to this Code and any committees established by such system, fund, or board must comply with the Open Meetings Act.

(c) Any retirement system, pension fund, or investment board subject to this Code that establishes a committee shall ensure that the majority of the members on such committee are board members. If any member of a committee is not a member of the board for the system, fund, or board, then that committee member shall be a fiduciary.

(d) A retirement system, pension fund, or investment board subject to this Code, except those whose investments are restricted by Section 1-113.2, shall maintain an official web site and make available in a clear and conspicuous manner, and update at least quarterly, all of the following information concerning the investment of funds:

(1) The total amount of funds held by the pension fund, retirement system, or investment board.

(2) The asset allocation for the investments made by the pension fund, retirement system, or investment board.

(3) Current and historic return information.

(4) A detailed listing of the investment advisers for all asset classes.

(5) Performance of investments compared against established benchmarks.

(6) A detailed list of all consultants doing business with the retirement system, pension fund, or investment board.

(7) A detailed list of all contractors, other than investment advisers and consultants, doing business with the retirement system, pension fund, or investment board.

(8) Any requests for investment services.

(9) The names and email addresses of all board members, directors, and senior staff.

(10) The report required under Section 1-109.1 of this Code, if applicable.

(11) The description of each contract required under subsection (g) of Section 1-113.14 of this Code, if applicable.

(e) A pension fund whose investments are restricted by Section 1-113.2 of this Code shall make the information required in subsection (d) of this Section available on its web site or in a location that allows the information to be available for inspection by the public.

(f) Nothing in this Section requires the pension fund, retirement system, or investment board to make information available on the Internet that is exempt from inspection and copying under the Freedom of Information Act.

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

(40 ILCS 5/1-113.18)

Sec. 1-113.18. Ethics training. All board members of a retirement system, pension fund, or investment board created under this Code must attend ethics training of at least 8 hours per year. The training required under this Section shall include training on ethics, fiduciary duty, and investment issues and any other curriculum that the board of the retirement system, pension fund, or investment board establishes as being important for the administration of the retirement system, pension fund, or investment board. The Supreme Court of Illinois shall be responsible for ethics training and curriculum for judges designated by the Court to serve as members of a retirement system, pension fund, or investment board. Each board shall annually certify its members' compliance with this Section and submit an annual certification to the Division of Insurance of the Department of Financial and Professional Regulation. Judges shall annually certify compliance with the ethics training requirement and shall submit an annual certification to the Chief Justice of the Supreme Court of Illinois.

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

(40 ILCS 5/1-113.20)

Sec. 1-113.20. Investment strategies; explicit and implicit costs. Every pension fund, retirement system, and investment board created under this Code, except those whose investments are restricted by Section 1-113.2 of this Code, shall instruct the fund's, system's, or board's investment advisors to utilize investment strategies designed to ensure that all securities transactions are executed in such a manner that the total explicit and implicit costs and total proceeds in every transaction are the most favorable under the circumstances.

(Source: P.A. 96-753, eff. 8-25-09.)

(40 ILCS 5/1-113.21)

Sec. 1-113.21. Contracts for services.

(a) Beginning January 1, 2015, no contract, oral or written, for investment services, consulting services, or commitment to a private market fund shall be awarded by a retirement system, pension fund, or investment board established under this Code unless the investment advisor, consultant, or private market fund first discloses:

(1) the number of its investment and senior staff and

the percentage of its investment and senior staff who are (i) a minority person, (ii) a female, and (iii) a person with a disability; and

(2) the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant, or private market fund has with (i) a minority owned business, (ii) a female owned business, or (iii) a business owned by a person with a disability; and

(3) the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services the investment advisor, consultant, or private market fund has with a business other than (i) a minority owned business, (ii) a female owned business or (iii) a business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by (i) a minority person, (ii) a female, and (iii) a person with a disability.

(b) The disclosures required by this Section shall be considered, within the bounds of financial and fiduciary prudence, prior to the awarding of a contract, oral or written, for investment services, consulting services, or commitment to a private market fund.

(c) For the purposes of this Section, the terms "minority person", "female", "person with a disability", "minority owned business", "female owned business", and "business owned by a person with a disability" have the same meaning as those terms have in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.

(d) For purposes of this Section, the term "private market fund" means any private equity fund, private equity fund of funds, venture capital fund, hedge fund, hedge fund of funds, real estate fund, or other investment vehicle that is not publicly traded.

(Source: P.A. 98-1022, eff. 1-1-15.)

(40 ILCS 5/1-114) (from Ch. 108 1/2, par. 1-114)

Sec. 1-114. Liability for Breach of Fiduciary Duty.

(a) Any person who is a fiduciary with respect to a retirement system or pension fund established under this Code who breaches any duty imposed upon fiduciaries by this Code, including, but not limited to, a failure to report a reasonable suspicion of a false statement specified in Section 1-135 of this Code, shall be personally liable to make good to such retirement system or pension fund any losses to it resulting from each such breach, and to restore to such retirement system or pension fund any profits of such fiduciary which have been made through use of assets of the retirement system or pension fund by the fiduciary, and shall be subject to such equitable or remedial relief as the court may deem appropriate, including the removal of such fiduciary.

(b) No person shall be liable with respect to a breach of fiduciary duty under this Code if such breach occurred before such person became a fiduciary or after such person ceased to be a fiduciary.

(Source: P.A. 97-651, eff. 1-5-12.)

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

Sec. 1-115. Civil enforcement. A civil action may be

brought by the Attorney General or by a participant, beneficiary or fiduciary in order to:

(a) Obtain appropriate relief under Section 1-114 of this Code;

(b) Enjoin any act or practice which violates any provision of this Code; or

(c) Obtain other appropriate equitable relief to redress any such violation or to enforce any such provision.

Notwithstanding any other provision of the Administrative Review Law or this Code to the contrary, a civil action may be brought by the Attorney General to enjoin the payment of benefits under this Code to any person who is convicted of any felony relating to or arising out of or in connection with that person's service as an employee under this Code.

(Source: P.A. 98-1137, eff. 6-1-15.)

(40 ILCS 5/1-116) (from Ch. 108 1/2, par. 1-116)

Sec. 1-116. Federal contribution and benefit limitations.

(a) This Section applies to all pension funds and retirement systems established under this Code.

(a-5) All pension funds and retirement systems established under this Code shall comply with the applicable contribution and benefit limitations imposed by Section 415 of the U.S. Internal Revenue Code of 1986 for tax qualified plans under Section 401(a) of that Code.

(b) If any benefit payable by a pension fund or retirement system subject to this Section exceeds the applicable benefit limits set by Section 415 of the U.S. Internal Revenue Code of 1986 for tax qualified plans under Section 401(a) of that Code, the excess shall be payable only from an excess benefit fund established under this Section in accordance with federal law.

(c) An excess benefit fund shall be established by any pension fund or retirement system subject to this Section that has any member eligible to receive a benefit that exceeds the applicable benefit limits set by Section 415 of the U.S. Internal Revenue Code of 1986 for tax qualified plans under Section 401(a) of that Code. Amounts shall be credited to the excess benefit fund, and payments for excess benefits made from the excess benefit fund, in a manner consistent with the applicable federal law.

(d) For purposes of matters relating to the benefit limits set by Section 415 of the U.S. Internal Revenue Code of 1986, the limitation year may be defined by each affected pension fund or retirement system for that fund or system.

(Source: P.A. 90-19, eff. 6-20-97; 91-887, eff. 7-6-00.)

(40 ILCS 5/1-116.1)

Sec. 1-116.1. Required distributions. Notwithstanding any other provision of this Code, all pension funds and retirement systems established under Articles 2 through 18 of this Code have the authority to make any involuntary distributions that are required by federal law under Section 401(a)(9) of the Internal Revenue Code of 1986, as now or hereafter amended. A distribution shall be deemed to be required if failure to make the distribution could affect the qualified plan status of the pension fund or retirement system or could result in the imposition of a substantial penalty on the taxpayer or on the

pension fund or retirement system.
(Source: P.A. 89-136, eff. 7-14-95.)

(40 ILCS 5/1-117)
Sec. 1-117. Annual earnings limitation.

(a) Notwithstanding any other provision of this Code, except as provided in subsection (b), beginning on the first day of the plan year beginning in 1996, the annual earnings of a person that may be taken into account in any year for any purpose under this Code shall not exceed the maximum dollar limitation specified in Section 401(a)(17) of the Internal Revenue Code of 1986, as that Section may be amended from time to time and as that compensation limit may be adjusted from time to time by the Commissioner of Internal Revenue.

(b) In the case of a person who first began participating in a pension fund or retirement system governed by this Code before the first day of the plan year beginning in 1996, the dollar limitation under Section 401(a)(17) of the Internal Revenue Code of 1986 does not apply to the extent that the earnings that may be taken into account by that fund or system under this Code would be reduced below the amount that was allowed to be taken into account under its governing Article of this Code or under Article 1 or Article 20 of this Code, as those Articles were in effect on July 1, 1993.

(c) This Section takes effect on December 31, 1995.
(Source: P.A. 89-136, eff. 12-31-95.)

(40 ILCS 5/1-118)
Sec. 1-118. Veterans' rights.

(a) All pension funds and retirement systems subject to this Code shall comply with the requirements imposed on them by the federal Uniformed Services Employment and Reemployment Rights Act (P.L. 103-353).

(b) All pension funds and retirement systems subject to this Code shall comply with the federal Heroes Earnings Assistance and Relief Tax Act of 2008 (P.L. 110-245).
(Source: P.A. 97-530, eff. 8-23-11.)

(40 ILCS 5/1-119)
Sec. 1-119. Qualified Illinois Domestic Relations Orders.

(a) For the purposes of this Section:

(1) "Alternate payee" means the spouse, former spouse, child, or other dependent of a member, as designated in a QILDRO.

(2) "Death benefit" means any nonperiodic benefit payable upon the death of a member to a survivor of the member or to the member's estate or designated beneficiary, including any refund of contributions following the member's death, whether or not the benefit is so called under the applicable Article of this Code.

(3) "Disability benefit" means any periodic or nonperiodic benefit payable to a disabled member based on occupational or nonoccupational disability or disease, including any periodic or nonperiodic increases in the benefit, whether or not the benefit is so called under the applicable Article of this Code.

(4) "Member" means any person who participates in or has service credits in a retirement system, including a person who is receiving or is eligible to receive a

retirement or disability benefit, without regard to whether the person has withdrawn from service.

(5) "Member's refund" means a return of all or a portion of a member's contributions that is elected by the member (or provided by operation of law) and is payable before the member's death.

(5.5) "Permissive service" means service credit purchased by the member, unused vacation, and unused sick leave that the retirement system includes by statute in a member's benefit calculations.

(6) "Qualified Illinois Domestic Relations Order" or "QILDRO" means an Illinois court order that creates or recognizes the existence of an alternate payee's right to receive all or a portion of a member's accrued benefits in a retirement system, is issued pursuant to this Section and Section 503(b)(2) of the Illinois Marriage and Dissolution of Marriage Act, and meets the requirements of this Section. A QILDRO is not the same as a qualified domestic relations order or QDRO issued pursuant to Section 414(p) of the Internal Revenue Code of 1986. The requirements of paragraphs (2) and (3) of that Section do not apply to orders issued under this Section and shall not be deemed a guide to the interpretation of this Section; a QILDRO is intended to be a domestic relations order within the meaning of paragraph (11) of that Section.

(7) "Regular payee" means the person to whom a benefit would be payable in the absence of an effective QILDRO.

(7.5) "Regular service" means service credit earned by the member, including a repayment of a refund for regular service that the retirement system includes by statute in a member's benefit calculations. "Regular service" does not include service credit purchased by the member, unused vacation, or unused sick leave.

(8) "Retirement benefit" means any periodic or nonperiodic benefit payable to a retired member based on age or service, or on the amounts accumulated to the credit of the member for retirement purposes, including any periodic or nonperiodic increases in the benefit, whether or not the benefit is so called under the applicable Article of this Code.

(9) "Retirement system" or "system" means any retirement system, pension fund, or other public employee retirement benefit plan that is maintained or established under any of Articles 2 through 18 of this Code.

(10) "Surviving spouse" means the spouse of a member at the time of the member's death.

(11) "Survivor's benefit" means any periodic benefit payable to a surviving spouse, child, parent, or other survivor of a deceased member, including any periodic or nonperiodic increases in the benefit or nonperiodic payment included with the benefit, whether or not the benefit is so called under the applicable Article of this Code.

(b) (1) An Illinois court of competent jurisdiction in a proceeding for declaration of invalidity of marriage, legal separation, or dissolution of marriage that provides for support or the distribution of property, or any proceeding to amend or enforce such support or property distribution, may

order that all or any part of any (i) member's retirement benefit, (ii) member's refund payable to or on behalf of the member, or (iii) death benefit, or portion thereof, that would otherwise be payable to the member's death benefit beneficiaries or estate be instead paid by the retirement system to the alternate payee.

(2) An order issued under this Section provides only for the diversion to an alternate payee of certain benefits otherwise payable by the retirement system under the provisions of this Code. The existence of a QILDRO shall not cause the retirement system to pay any benefit, or any amount of benefit, to an alternate payee that would not have been payable by the system to a regular payee in the absence of the QILDRO.

(3) A QILDRO shall not affect the vesting, accrual, or amount of any benefit, nor the date or conditions upon which any benefit becomes payable, nor the right of the member or the member's survivors to make any election otherwise authorized under this Code, except as provided in subsections (i) and (j).

(4) A QILDRO shall not apply to or affect the payment of any survivor's benefit, disability benefit, life insurance benefit, or health insurance benefit.

(c) (1) A QILDRO must contain the name, mailing address, and social security number of the member and of the alternate payee and must identify the retirement system to which it is directed and the court issuing the order.

(2) A QILDRO must specify each benefit to which it applies, and it must specify the amount of the benefit to be paid to the alternate payee. In the case of a non-periodic benefit, this amount must be specified as a dollar amount or as a percentage as specifically provided in subsection (n). In the case of a periodic benefit, this amount must be specified as a dollar amount per month or as a percentage per month as specifically provided in subsection (n).

(3) With respect to each benefit to which it applies, a QILDRO must specify when the order will take effect. In the case of a lump sum benefit payable to an alternate payee of a participant in the self-managed plan authorized under Article 15 of this Code, the benefit shall be paid upon the proper request of the alternate payee. In the case of a periodic benefit that is being paid at the time the order is received, a QILDRO shall take effect immediately or on a specified later date; if it takes effect immediately, it shall become effective on the first benefit payment date occurring at least 30 days after the order is received by the retirement system. In the case of any other benefit, a QILDRO shall take effect when the benefit becomes payable, unless some later date is specified pursuant to subsection (n). However, in no event shall a QILDRO apply to any benefit paid by the retirement system before or within 30 days after the order is received. A retirement system may adopt rules to prorate the amount of the first and final periodic payments to an alternate payee.

(4) A QILDRO must also contain any provisions required under subsection (n) or (p).

(5) If a QILDRO indicates that the alternate payee is to receive a percentage of any retirement system benefit, the calculations required shall be performed by the member, the alternate payee, their designated representatives or their designated experts. The results of said calculations shall be

provided to the retirement system via a QILDRO Calculation Court Order issued by an Illinois court of competent jurisdiction in a proceeding for declaration of invalidity of marriage, legal separation, or dissolution of marriage. The QILDRO Calculation Court Order shall follow the form provided in subsection (n-5). The retirement system shall have no duty or obligation to assist in such calculations or in completion of the QILDRO Calculation Court Order, other than to provide the information required to be provided pursuant to subsection (h).

(6) Within 45 days after the receipt of a QILDRO Calculation Court Order, the retirement system shall notify the member and the alternate payee (or one designated representative of each) of the receipt of the Order. If a valid QILDRO underlying the QILDRO Calculation Court Order has not been filed with the retirement system, or if the QILDRO Calculation Court Order does not clearly indicate the amount the retirement system is to pay to the alternate payee, then the retirement system shall at the same time notify the member and the alternate payee (or one designated representative of each) of the situation. Unless a valid QILDRO has not been filed with the retirement system, or the QILDRO Calculation Court Order does not clearly indicate the amount the retirement system is to pay the alternate payee, the retirement system shall implement the QILDRO based on the QILDRO Calculation Court Order as soon as administratively possible once benefits are payable. The retirement system shall have no obligation to make any determination as to whether the calculations in the QILDRO Calculation Court Order are accurate or whether the calculations are in accordance with the parties' QILDRO, agreement, or judgment. The retirement system shall not reject a QILDRO Calculation Court Order because the calculations are not accurate or not in accordance with the parties' QILDRO, agreement, or judgment. The retirement system shall have no responsibility for the consequences of its implementation of a QILDRO Calculation Court Order that is inaccurate or not in accordance with the parties' QILDRO, agreement, or judgment.

(d) (1) An order issued under this Section shall not be implemented unless a certified copy of the order has been filed with the retirement system. The system shall promptly notify the member and the alternate payee by first class mail of its receipt of the order.

(2) Neither the retirement system, nor its board, nor any of its employees shall be liable to the member, the regular payee, or any other person for any amount of a benefit that is paid in good faith to an alternate payee in accordance with a QILDRO.

(3) Each new or modified QILDRO or QILDRO Calculation Court Order that is submitted to the retirement system shall be accompanied by a nonrefundable \$50 processing fee payable to the retirement system, to be used by the system to defer any administrative costs arising out of the implementation of the order.

(e) (1) Each alternate payee is responsible for maintaining a current mailing address on file with the retirement system. The retirement system shall have no duty to attempt to locate any alternate payee by any means other than sending written notice to the last known address of the alternate payee on file with the system.

(2) In the event that the system cannot locate an alternate payee when a benefit becomes payable, the system shall hold the amount of the benefit payable to the alternate payee and make payment to the alternate payee if he or she is located within the following 180 days. If the alternate payee has not been located within 180 days from the date the benefit becomes payable, the system shall pay the benefit and the amounts held to the regular payee. If the alternate payee is subsequently located, the system shall thereupon implement the QILDRO, but the interest of the alternate payee in any amounts already paid to the regular payee shall be extinguished. Amounts held under this subsection shall not bear interest.

(f) (1) If the amount of a benefit that is specified in a QILDRO or QILDRO Calculation Court Order for payment to an alternate payee exceeds the actual amount of that benefit payable by the retirement system, the excess shall be disregarded. The retirement system shall have no liability to any alternate payee or any other person for the disregarded amounts.

(2) In the event of multiple QILDROs against a member, the retirement system shall honor all of the QILDROs to the extent possible. However, if the total amount of a benefit to be paid to alternate payees under all QILDROs in effect against the member exceeds the actual amount of that benefit payable by the system, the QILDROs shall be satisfied in the order of their receipt by the system until the amount of the benefit is exhausted, and shall not be adjusted pro rata. Any amounts that cannot be paid due to exhaustion of the benefit shall remain unpaid, and the retirement system shall have no liability to any alternate payee or any other person for such amounts.

(3) A modification of a QILDRO shall be filed with the retirement system in the same manner as a new QILDRO. A modification that does not increase the amount of any benefit payable to the alternate payee, as that amount was designated in the QILDRO, and does not expand the QILDRO to affect any benefit not affected by the unmodified QILDRO, does not affect the priority of payment under subdivision (f) (2); the priority of payment of a QILDRO that has been modified to increase the amount of any benefit payable to the alternate payee, or to expand the QILDRO to affect a benefit not affected by the unmodified QILDRO, shall be based on the date on which the system receives the modification of the QILDRO.

(4) A modification of a QILDRO Calculation Court Order shall be filed with the retirement system in the same manner as a new QILDRO Calculation Court Order.

(g) (1) Upon the death of the alternate payee under a QILDRO, the QILDRO shall expire and cease to be effective, and in the absence of another QILDRO, the right to receive any affected benefit shall revert to the regular payee.

(2) All QILDROs relating to a member's participation in a particular retirement system shall expire and cease to be effective upon the issuance of a member's refund that terminates the member's participation in that retirement system, without regard to whether the refund was paid to the member or to an alternate payee under a QILDRO. An expired QILDRO shall not be automatically revived by any subsequent return by the member to service under that retirement system.

(h) (1) Within 45 days after receiving a subpoena from any party to a proceeding for declaration of invalidity of

marriage, legal separation, or dissolution of marriage in which a QILDRO may be issued, or after receiving a request from the member, a retirement system shall provide in response a statement of a member's accumulated contributions, accrued benefits, and other interests in the plan administered by the retirement system based on the data on file with the system on the date the subpoena is received. If so requested in the subpoena, the retirement system shall also provide in response general retirement plan information available to a member and any relevant procedures, rules, or modifications to the model QILDRO form that have been adopted by the retirement system.

(1.5) If a QILDRO provides for the alternate payee to receive a percentage of a retirement benefit (as opposed to providing for the alternate payee to receive specified dollar amounts of a retirement benefit), then the retirement system shall provide the applicable information to the member and to the alternate payee, or to one designated representative of each (e.g., the member's attorney and the alternate payee's attorney) as indicated below:

(A) If the member is a participant in the self-managed plan authorized under Article 15 of this Code and the QILDRO provides that the only benefit the alternate payee is to receive is a percentage of a lump sum benefit as of a specific date that has already past, then, within 45 days after the retirement system receives the QILDRO, the retirement system shall provide the lump sum amount to which the QILDRO percentage is to be applied.

(B) For all situations except that situation described in item (A), if the retirement system receives the QILDRO before the member's effective date of retirement, then, within 45 days after the retirement system receives the QILDRO, the retirement system shall provide all of the following information:

(i) The date of the member's initial membership in the retirement system, expressed as month, day, and year, if available, or the most exact date that is available to the retirement system.

(ii) The amount of permissive and regular service the member accumulated in the retirement system from the time of initial membership through the most recent date available prior to the retirement system receiving the QILDRO (the dates used by the retirement system shall also be provided). Service amounts shall be expressed using the most exact time increments available to the retirement system (e.g., months or fractions of years).

(iii) The gross amount of the member's non-reduced monthly annuity benefit earned, calculated as of the most recent date available prior to the retirement system receiving the QILDRO, the date used by the retirement system, and the earliest date the member may be eligible to commence the benefit. This amount shall include any permissive service and upgrades purchased by the member, and those amounts shall be noted separately.

(iv) The gross amount of the member's refund or partial refund, including any interest payable on those amounts, calculated as of the most recent date available prior to the retirement system receiving the

QILDRO (the date used by the retirement system shall also be provided).

(v) The gross amount of the death benefits that would be payable to the member's death benefit beneficiaries or estate, assuming the member died on the date or a date as close as possible to the date the QILDRO was received by the retirement system, including any interest payable on the amounts, calculated as of the most recent date available prior to the retirement system receiving the QILDRO (the date used by the retirement system shall also be provided).

(vi) Whether the member has notified the retirement system of the date the member intends to retire, and if so, that date.

(vii) If the member has provided a date that he or she intends to retire, the date, if available, that the retirement system reasonably believes will be the member's effective date of retirement.

(C) For all situations except that situation described in item (A), if the retirement system receives the QILDRO after the effective date of retirement, then, within 45 days after the retirement system receives the QILDRO, or, if the retirement system receives the QILDRO before the member's effective date of retirement, then as soon as administratively possible before or after the member's effective date of retirement (but not later than 45 days after the member's effective date of retirement), the retirement system shall provide all of the following information:

(i) The member's effective date of retirement.

(ii) The date the member commenced benefits or, if not yet commenced, the date the retirement system has scheduled the member's benefits to commence.

(iii) The amount of permissive and regular service the member accumulated in the retirement system from the time of initial membership through the member's effective date of retirement. Service amounts shall be expressed using the most exact time increments available to the retirement system (e.g., months or fractions of years).

(iv) The gross amount of the member's monthly retirement benefit, calculated as of the member's effective date of retirement. This amount shall include any permissive service and upgrades purchased by the member, and those amounts shall be noted separately.

(v) The gross amount of the member's refund or partial refund, including any interest payable on those amounts, calculated as of the member's effective date of retirement.

(vi) The gross amount of death benefits that would be payable to the member's death benefit beneficiaries or estate, assuming the member died on the member's effective date of retirement, including any interest payable on those amounts.

(D) If, and only if, the alternate payee is entitled to benefits under Section VII of the QILDRO, then, within 45 days after the retirement system receives notice of the member's death, the retirement system shall provide the

gross amount of death benefits payable, including any interest payable on those amounts, calculated as of the member's date of death.

(2) In no event shall the retirement system be required to furnish to any person an actuarial opinion as to the present value of the member's benefits or other interests.

(3) The papers, entries, and records, or parts thereof, of any retirement system may be proved by a copy thereof, certified under the signature of the secretary of the system or other duly appointed keeper of the records of the system and the corporate seal, if any.

(i) In a retirement system in which a member or beneficiary is required to apply to the system for payment of a benefit, the required application may be made by an alternate payee who is entitled to all of a termination refund or retirement benefit or part of a death benefit that is payable under a QILDRO, provided that all other qualifications and requirements have been met. However, the alternate payee may not make the required application for death benefits while the member is alive or for a member's refund or a retirement benefit if the member is in active service or below the minimum age for receiving an undiscounted retirement annuity in the retirement system that has received the QILDRO or in any other retirement system in which the member has regular or permissive service and in which the member's rights under the Retirement Systems Reciprocal Act would be affected as a result of the alternate payee's application for a member's refund or retirement benefit.

(j) (1) So long as there is in effect a QILDRO relating to a member's retirement benefit, the affected member may not elect a form of payment that has the effect of diminishing the amount of the payment to which any alternate payee is entitled, unless the alternate payee has consented to the election in a writing that includes the alternate payee's notarized signature, and this written and notarized consent has been filed with the retirement system.

(2) If a member attempts to make an election prohibited under subdivision (j)(1), the retirement system shall reject the election and advise the member of the need to obtain the alternate payee's consent.

(3) If a retirement system discovers that it has mistakenly allowed an election prohibited under subdivision (j)(1), it shall thereupon disallow that election and recalculate any benefits affected thereby. If the system determines that an amount paid to a regular payee should have been paid to an alternate payee, the system shall, if possible, recoup the amounts as provided in subsection (k) of this Section.

(k) In the event that a regular payee or an alternate payee is overpaid, the retirement system shall have the authority to and shall recoup the amounts by deducting the overpayment from future payments and making payment to the other payee. The system may make deductions for recoupment over a period of time in the same manner as is provided by law or rule for the recoupment of other amounts incorrectly disbursed by the system in instances not involving a QILDRO. The retirement system shall incur no liability to either the alternate payee or the regular payee as a result of any payment made in good faith, regardless of whether the system is able to accomplish recoupment.

(1) (1) A retirement system that has, before the effective date of this Section, received and implemented a domestic relations order that directs payment of a benefit to a person other than the regular payee may continue to implement that order, and shall not be liable to the regular payee for any amounts paid in good faith to that other person in accordance with the order.

(2) A domestic relations order directing payment of a benefit to a person other than the regular payee that was issued by a court but not implemented by a retirement system prior to the effective date of this Section shall be void. However, a person who is the beneficiary or alternate payee of a domestic relations order that is rendered void under this subsection may petition the court that issued the order for an amended order that complies with this Section.

(3) A retirement system that received a valid QILDRO before the effective date of this amendatory Act of the 94th General Assembly shall continue to implement the QILDRO and shall not be liable to any party for amounts paid in good faith pursuant to the QILDRO.

(m) (1) In accordance with Article XIII, Section 5 of the Illinois Constitution, which prohibits the impairment or diminishment of benefits granted under this Code, a QILDRO issued against a member of a retirement system established under an Article of this Code that exempts the payment of benefits or refunds from attachment, garnishment, judgment or other legal process shall not be effective without the written consent of the member if the member began participating in the retirement system on or before the effective date of this Section. That consent must specify the retirement system, the court case number, and the names and social security numbers of the member and the alternate payee. The consent must accompany the QILDRO when it is filed with the retirement system, and must be in substantially the following form:

CONSENT TO ISSUANCE OF QILDRO

Case Caption:
Court Case Number:
Member's Name:
Member's Social Security Number:
Alternate payee's Name:
Alternate payee's Social Security Number:

I, (name), a member of the (retirement system), hereby irrevocably consent to the issuance of a Qualified Illinois Domestic Relations Order. I understand that under the Order, certain benefits that would otherwise be payable to me, or to my death benefit beneficiaries or estate, will instead be payable to (name of alternate payee). I also understand that my right to elect certain forms of payment of my retirement benefit or member's refund may be limited as a result of the Order.

DATED:.....
SIGNED:.....

(2) A member's consent to the issuance of a QILDRO shall be irrevocable, and shall apply to any QILDRO that pertains to the alternate payee and retirement system named in the consent.

(n) A QILDRO issued under this Section shall be in substantially the following form (omitting any provisions that are not applicable to benefits that are or may be ultimately payable to the member):

QUALIFIED ILLINOIS DOMESTIC RELATIONS ORDER

.....
(Enter Case Caption Here)
.....
(Enter Retirement System Name Here)

THIS CAUSE coming before the Court for the purpose of the entry of a Qualified Illinois Domestic Relations Order under the provisions of Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119), the Court having jurisdiction over the parties and the subject matter hereof; the Court finding that one of the parties to this proceeding is a member of a retirement system subject to Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119), this Order is entered to implement a division of that party's interest in the retirement system; and the Court being fully advised;

IT IS HEREBY ORDERED AS FOLLOWS:

I. The definitions and other provisions of Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119) are adopted by reference and made a part of this Order.

II. Identification of Retirement System and parties:

Retirement System:
(Name)
.....
(Address)

Member:
(Name)
.....
(Mailing Address)
.....
(Social Security Number)

Alternate payee:
(Name)
.....
(Mailing Address)
.....
(Social Security Number)

The alternate payee is the member's current or former spouse/ child or other dependent [check one].

III. The Retirement System shall pay the indicated amounts of the member's retirement benefits to the alternate payee

under the following terms and conditions:

(A) The Retirement System shall pay the alternate payee pursuant to one of the following methods [complete the ONE option that applies]:

- (1) \$..... per month [enter amount]; or
- (2)% [enter percentage] per month of the marital portion of said benefit with the marital portion defined using the formula in Section IX; or
- (3)% [enter percentage] per month of the gross amount of said benefit calculated as of the date the member's/ alternate payee's [check one] benefit commences [check alternate payee only if the alternate payee will commence benefits after the member commences benefits, e.g. if the member is receiving retirement benefits at the time this Order is entered].

(B) If the member's retirement benefit has already commenced, payments to the alternate payee shall commence either [check/complete the ONE option that applies]:

- (1) as soon as administratively possible upon this order being received and accepted by the Retirement System; or
- (2) on the date of [enter any benefit payment date that will occur at least 30 days after the date the retirement system receives a valid QILDRO, but ONLY if payment to the alternate payee is to be delayed to some future date; otherwise, check item (1) above].

(C) If the member's retirement benefit has not yet commenced, payments to the alternate payee shall commence as of the date the member's retirement benefit commences.

(D) Payments to the alternate payee under this Section III shall terminate [check/complete the ONE option that applies]:

- (1) upon the death of the member or the death of the alternate payee, whichever is the first to occur; or
- (2) after payments are made to the alternate payee [enter any set number] or upon the death of the member or the death of the alternate payee, whichever is the first to occur.

IV. If the member's retirement benefits are subject to annual post-retirement increases, the alternate payee's share of said benefits shall/ shall not [check one] be recalculated or increased annually to include a proportionate share of the applicable annual increases.

V. The Retirement System shall pay to the alternate payee the indicated amounts of any refund upon termination or any lump sum retirement benefit that becomes payable to the member, under the following terms and conditions:

(A) The Retirement System shall pay the alternate payee pursuant to one of the following methods [complete the ONE option that applies]:

- (1) \$..... [enter amount]; or
- (2)% [enter percentage] of the marital portion of the refund or lump sum retirement benefit, with the marital portion defined using the formula in Section IX; or
- (3)% [enter percentage] of the gross

amount of the refund or lump sum retirement benefit, calculated when the member's refund or lump sum retirement benefit is paid.

(B) The amount payable to an alternate payee under Section V(A)(2) or V(A)(3) shall include any applicable interest that would otherwise be payable to the member under the rules of the Retirement System.

(C) The alternate payee's share of the refund or lump sum retirement benefit under this Section V shall be paid when the member's refund or lump sum retirement benefit is paid.

VI. The Retirement System shall pay to the alternate payee the indicated amounts of any partial refund that becomes payable to the member under the following terms and conditions:

(A) The Retirement System shall pay the alternate payee pursuant to one of the following methods [complete the ONE option that applies]:

(1) \$..... [enter amount]; or

(2)% [enter percentage] of the marital portion of said benefit, with the marital portion defined using the formula in Section IX; or

(3)% [enter percentage] of the gross amount of the benefit calculated when the member's refund is paid.

(B) The amount payable to an alternate payee under Section VI(A)(2) or VI(A)(3) shall include any applicable interest that would otherwise be payable to the member under the rules of the Retirement System.

(C) The alternate payee's share of the refund under this Section VI shall be paid when the member's refund is paid.

VII. The Retirement System shall pay to the alternate payee the indicated amounts of any death benefits that become payable to the member's death benefit beneficiaries or estate under the following terms and conditions:

(A) To the extent and only to the extent required to effectuate this Section VII, the alternate payee shall be designated as and considered to be a beneficiary of the member at the time of the member's death and shall receive [complete ONE of the following options]:

(1) \$..... [enter amount]; or

(2)% [enter percentage] of the marital portion of death benefits, with the marital portion defined using the formula in Section IX; or

(3)% [enter percentage] of the gross amount of death benefits calculated when said benefits become payable.

(B) The amount payable to an alternate payee under Section VII(A)(2) or VII(A)(3) shall include any applicable interest payable to the death benefit beneficiaries under the rules of the Retirement System.

(C) The alternate payee's share of death benefits under this Section VII shall be paid as soon as administratively possible after the member's death.

VIII. If this Order indicates that the alternate payee is to receive a percentage of any retirement benefit or refund, upon receipt of the information required to be provided by the Retirement System under Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119), the calculations required shall be

performed by the member, by the alternate payee, or by their designated representatives or designated experts. The results of the calculations shall be provided to the Retirement System via a QILDRO Calculation Court Order in accordance with Section 1-119 of the Illinois Pension Code.

IX. Marital Portion Benefit Calculation Formula (Option to calculate benefit in items III(A)(2), V(A)(2), VI(A)(2), and VII(A)(2) above). If in this Section "other" is circled in the definition of A, B, or C, then a supplemental order must be entered simultaneously with this QILDRO clarifying the intent of the parties or the Court as to that item. The supplemental order cannot require the Retirement System to take any action not permitted under Illinois law or the Retirement System's administrative rules. To the extent that the supplemental order does not conform to Illinois law or administrative rule, it shall not be binding upon the Retirement System.

(1) The amount of the alternate payee's benefit shall be the result of $(A/B) \times C \times D$ where:

"A" equals the number of months of regular/
 regular plus permissive/ other [check only one] service that the member accumulated in the Retirement System from the date of marriage [enter date MM/DD/YYYY] to the date of divorce [enter date MM/DD/YYYY]. This number of months of service shall be calculated as whole months after receipt of information required from the Retirement System pursuant to Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119).

"B" equals the number of months of regular/
 regular plus permissive/ other [check only one] service that the member accumulated in the Retirement System from the time of initial membership in the Retirement System through the member's effective date of retirement. The number of months of service shall be calculated as whole months after receipt of information required from the Retirement System pursuant to Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119).

"C" equals the gross amount of:

(i) the member's monthly retirement benefit (Section III(A)) calculated as of the member's effective date of retirement, including/ not including/ other [check only one] permissive service, upgrades purchased, and other benefit formula enhancements;

(ii) the member's refund payable upon termination or lump sum retirement benefit that becomes payable, including any payable interest (Section V(A)) calculated as of the time said refund becomes payable to the member;

(iii) the member's partial refund, including any payable interest (Section VI(A)) calculated as of the time said partial refund becomes payable to the member; or

(iv) the death benefit payable to the member's death benefit beneficiaries or estate, including any payable interest (Section VII(A)) calculated as of the time said benefit becomes payable to the member's beneficiary;

whichever are applicable pursuant to Section III, V, VI, or VII of this Order. These gross amounts shall be provided by the Retirement System pursuant to Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119).

"D" equals the percentage noted in Section III(A)(2), V(A)(2), VI(A)(2), or VII(A)(2), whichever are applicable.

(2) The alternate payee's benefit under this Section IX shall be paid in accordance with all Sections of this Order that apply.

X. In accordance with subsection (j) of Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119), so long as this QILDRO is in effect, the member may not elect a form of payment of the retirement benefit that has the effect of diminishing the amount of the payment to which the alternate payee is entitled, unless the alternate payee has consented to the election in writing, the consent has been notarized, and the consent has been filed with the Retirement System.

XI. If the member began participating in the Retirement System before July 1, 1999, this Order shall not take effect unless accompanied by the written consent of the member as required under subsection (m) of Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119).

XII. The Court retains jurisdiction over this matter for all of the following purposes:

(1) To establish or maintain this Order as a Qualified Illinois Domestic Relations Order.

(2) To enter amended QILDROs and QILDRO Calculation Court Orders to conform to the parties' Marital Settlement Agreement or Agreement for Legal Separation ("Agreement"), to the parties' Judgment for Dissolution of Marriage or Judgment for Legal Separation ("Judgment"), to any modifications of the parties' Agreement or Judgment, or to any supplemental orders entered to clarify the parties' Agreement or Judgment.

(3) To enter supplemental orders to clarify the intent of the parties or the Court regarding the benefits allocated herein in accordance with the parties' Agreement or Judgment, with any modifications of the parties' Agreement or Judgment, or with any supplemental orders entered to clarify the parties' Agreement or Judgment. A supplemental order may not require the Retirement System to take any action not permitted under Illinois law or the Retirement System's administrative rules. To the extent that the supplemental order does not conform to Illinois law or administrative rule, it shall not be binding upon the Retirement System.

DATED:

SIGNED:
[Judge's Signature]

(n-5) A QILDRO Calculation Court Order issued under this Section shall be in substantially the following form:

QILDRO Calculation Court Order

.....
 [Enter case caption here]

 [Enter Retirement System name here]

THIS CAUSE coming before the Court for the purpose of the entry of a QILDRO Calculation Court Order under the provisions of Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119), the Court having jurisdiction over the parties and the subject matter hereof; the Court finding that a QILDRO has previously been entered in this matter, that the QILDRO has been received and accepted by the Retirement System, and that the QILDRO requires percentage calculations to allocate the alternate payee's share of the member's benefit or refund, the Court not having found that the QILDRO has become void or invalid, and the Court being fully advised;

IT IS HEREBY ORDERED AS FOLLOWS:

(1) The definitions and other provisions of Section 1-119 of the Illinois Pension Code [40 ILCS 5/1-119] are adopted by reference and made a part of this Order.

(2) Identification of Retirement System and parties:

Retirement System:
 (Name)

 (Address)

Member:
 (Name)

 (Mailing Address)

 (Social Security Number)

Alternate payee:
 (Name)

 (Mailing Address)

 (Social Security Number)

The Alternate payee is the member's current or former spouse/ child or other dependent [check one].

(3) The following shall apply if and only if the QILDRO allocated benefits to the alternate payee in the specific Section noted. The Retirement System shall pay the amounts as directed below, but only if and when the benefits are payable pursuant to the QILDRO and Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119). Parties shall see QILDRO Section IX for the definitions of A, B, C and D as used below.

(a) The alternate payee's benefit pursuant to QILDRO Section III(A)(2) shall be calculated pursuant to Section IX of the QILDRO and paid as follows:

$$\begin{matrix} (\dots\dots\dots/\dots\dots\dots) & \times & \dots\dots\dots & \times & \dots\dots\dots & = & \dots\dots\dots \\ \text{[Enter A]} & & \text{[Enter B]} & & \text{[Enter C]} & & \text{[Enter D]} & & \text{[Monthly Amount]} \end{matrix}$$

(b) The alternate payee's benefit pursuant to QILDRO Section V(A)(2) shall be calculated pursuant to Section IX of the QILDRO and paid as follows:

$$\begin{matrix} (\dots\dots\dots/\dots\dots\dots) & \times & \dots\dots\dots & \times & \dots\dots\dots & = & \dots\dots\dots \\ \text{[Enter A]} & & \text{[Enter B]} & & \text{[Enter C]} & & \text{[Enter D]} & & \text{[Amount]} \end{matrix}$$

(c) The alternate payee's benefit pursuant to QILDRO Section VI(A)(2) shall be calculated pursuant to Section IX of the QILDRO and paid as follows:

$$\begin{matrix} (\dots\dots\dots/\dots\dots\dots) & \times & \dots\dots\dots & \times & \dots\dots\dots & = & \dots\dots\dots \\ \text{[Enter A]} & & \text{[Enter B]} & & \text{[Enter C]} & & \text{[Enter D]} & & \text{[Amount]} \end{matrix}$$

(d) The alternate payee's benefit pursuant to QILDRO Section VII(A)(2) shall be calculated pursuant to Section IX of the QILDRO and paid as follows:

$$\begin{matrix} (\dots\dots\dots/\dots\dots\dots) & \times & \dots\dots\dots & \times & \dots\dots\dots & = & \dots\dots\dots \\ \text{[Enter A]} & & \text{[Enter B]} & & \text{[Enter C]} & & \text{[Enter D]} & & \text{[Amount]} \end{matrix}$$

The Retirement System's sole obligation with respect to the equations in this paragraph (3) is to pay the amounts indicated as the result of the equations. The Retirement System shall have no obligation to review or verify the equations or to assist in the calculations used to determine such amounts.

(4) The following shall apply only if the QILDRO allocated benefits to the alternate payee in the specific Section noted. The Retirement System shall pay the amounts as directed below, but only if and when the benefits are payable pursuant to the QILDRO and Section 1-119 of the Illinois Pension Code (40 ILCS 5/1-119).

(A) The alternate payee's benefit pursuant to QILDRO Section III(A)(3) shall be calculated and paid as follows:

$$\begin{matrix} \dots\dots\dots & \times & \dots\dots\dots & = & \dots\dots\dots \\ \text{[Gross benefit amount]} & & \text{[Percentage]} & & \text{[Monthly Amount]} \end{matrix}$$

(B) The alternate payee's benefit pursuant to QILDRO Section V(A)(3) shall be calculated and paid as follows:

$$\begin{matrix} \dots\dots\dots & \times & \dots\dots\dots & = & \dots\dots\dots \\ \text{[Gross benefit amount]} & & \text{[Percentage]} & & \text{[Amount]} \end{matrix}$$

(C) The alternate payee's benefit pursuant to QILDRO Section VI(A) (3) shall be calculated and paid as follows:

..... X =
[Gross benefit amount] [Percentage] [Amount]

(D) The alternate payee's benefit pursuant to QILDRO Section VII(A) (3) shall be calculated and paid as follows:

..... X =
[Gross benefit amount] [Percentage] [Amount]

The Retirement System's sole obligation with respect to the equations in this paragraph (4) is to pay the amounts indicated as the result of the equations. The Retirement System shall have no obligation to review or verify the equations or to assist in the calculations used to determine such amounts.

(5) The Court retains jurisdiction over this matter for the following purposes:

(A) to establish or maintain this Order as a QILDRO Calculation Court Order;

(B) to enter amended QILDROs and QILDRO Calculation Court Orders to conform to the parties' QILDRO, Marital Settlement Agreement or Agreement for Legal Separation ("Agreement"), to the parties' Judgment for Dissolution of Marriage or Judgment for Legal Separation ("Judgment"), to any modifications of the parties' QILDRO, Agreement, or Judgment, or to any supplemental orders entered to clarify the parties' QILDRO, Agreement, or Judgment; and

(C) To enter supplemental orders to clarify the intent of the parties or the Court regarding the benefits allocated herein in accordance with the parties' Agreement or Judgment, with any modifications of the parties' Agreement or Judgment, or with any supplemental orders entered to clarify the parties' Agreement or Judgment. A supplemental order may not require the Retirement System to take any action not permitted under Illinois law or the Retirement System's administrative rules. To the extent the supplemental order does not conform to Illinois law or administrative rule, it shall not be binding upon the Retirement System.

DATED:

SIGNED:
[Judge's Signature]

(o) (1) A court in Illinois that has issued a QILDRO shall retain jurisdiction of all issues relating to the modification of the QILDRO as indicated in Section XII of the QILDRO and in accordance with Illinois law. A court in Illinois that has

issued a QILDRO Calculation Court Order shall retain jurisdiction of all issues relating to the modification of the QILDRO Calculation Court Order as indicated in Section 5 of the QILDRO Calculation Court Order and in accordance with Illinois law.

(2) The Administrative Review Law and the rules adopted pursuant thereto shall govern and apply to all proceedings for judicial review of final administrative decisions of the board of trustees of the retirement system arising under this Section.

The term "administrative decision" is defined as in Section 3-101 of the Code of Civil Procedure. The venue for review under the Administrative Review Law shall be the same as is provided by law for judicial review of other administrative decisions of the retirement system.

(p) (1) Each retirement system may adopt any procedures or rules that it deems necessary or useful for the implementation of this Section.

(2) Each retirement system may by rule modify the model QILDRO form provided in subsection (n), except that no retirement system may change that form in a way that limits the choices provided to the alternate payee in subsections (n) or (n-5). Each retirement system may by rule require that additional information be included in QILDROs presented to the system, as may be necessary to meet the needs of the retirement system.

(3) Each retirement system shall define its blank model QILDRO form and blank model QILDRO Calculation Court Order form as an original of the forms or a paper copy of the forms. Each retirement system shall, whenever possible, make the forms available on the internet in non-modifiable computer format (for example, Adobe Portable Document Format files) for printing purposes.

(4) If a retirement system in good faith implements an order under this Section that follows substantially the same form as the model order and the retirement system later discovers that the implemented order was not absolutely identical to the retirement system's model order, the retirement system's implementation shall not be a violation of this Section and the retirement system shall have no responsibility to compensate the member or the alternate payee for moneys that would have been paid or not paid had the order been identical to the model order.

(Source: P.A. 93-347, eff. 7-24-03; 94-657, eff. 7-1-06.)

(40 ILCS 5/1-120)

Sec. 1-120. Payment to trust.

(a) If a person is a minor or has been determined by a court to be under a legal disability, any benefits payable to that person under this Code may be paid to the trustee of a trust created for the sole benefit of that person while the person is living, if the trustee of the trust has advised the board of trustees of the pension fund or retirement system in writing that the benefits will be held or used for the sole benefit of that person. The pension fund or retirement system shall not be required to determine the validity of the trust or of any of the terms of the trust. The representation of the trustee that the trust meets the requirements of this Section shall be conclusive as to the pension fund or retirement system. Payment of benefits to the trust shall be an absolute

discharge of the pension fund or retirement system's liability with respect to the amounts so paid.

(b) For purposes of this Section, "minor" means an unmarried person under the age of 18.

(c) This Section is not a limitation on any other power to pay benefits to or on behalf of a minor or person under legal disability that is granted under this Code or other applicable law.

(Source: P.A. 91-887, eff. 7-6-00.)

(40 ILCS 5/1-122)

Sec. 1-122. Service with the Legislative Ethics Commission or Office of the Legislative Inspector General. Notwithstanding any provision in this Code to the contrary, if a person serves as a part-time employee in any of the following positions: Legislative Inspector General, Special Legislative Inspector General, employee of the Office of the Legislative Inspector General, Executive Director of the Legislative Ethics Commission, or staff of the Legislative Ethics Commission, then (A) no retirement annuity or other benefit of that person under this Code is subject to forfeiture, diminishment, suspension, or other impairment solely by virtue of that service and (B) that person does not participate in any pension fund or retirement system under this Code with respect to that service, unless that person (i) is qualified to so participate and (ii) affirmatively elects to so participate. This Section applies without regard to whether the person is in active service under the applicable Article of this Code on or after the effective date of this amendatory Act of the 93rd General Assembly. In this Section, a "part-time employee" is a person who is not required to work at least 35 hours per week.

(Source: P.A. 93-685, eff. 7-8-04.)

(40 ILCS 5/1-123)

Sec. 1-123. Service as legal counsel. Notwithstanding any provision in this Code to the contrary, if a person is a participant under Article 18 and files a written election by July 1, 2005 with the Judges Retirement System of Illinois, then that person may serve either as legal counsel in the Office of the Governor or as Chief Deputy Attorney General and (A) no retirement annuity or other benefit of that person under Article 18 is subject to forfeiture, diminishment, suspension, or other impairment solely by virtue of that service and (B) that person does not participate in any pension fund or retirement system under this Code with respect to that service. This Section applies without regard to whether the person is in active service under Article 18 of this Code on or after the effective date of this amendatory Act of the 93rd General Assembly.

(Source: P.A. 93-1069, eff. 1-15-05.)

(40 ILCS 5/1-125)

Sec. 1-125. Prohibition on gifts.

(a) For the purposes of this Section:

"Gift" means a gift as defined in Section 1-5 of the State Officials and Employees Ethics Act.

"Prohibited source" means a person or entity who:

- (i) is seeking official action (A) by the board or
- (B) by a board member;

(ii) does business or seeks to do business (A) with the board or (B) with a board member;

(iii) has interests that may be substantially affected by the performance or non-performance of the official duties of the board member; or

(iv) is registered or required to be registered with the Secretary of State under the Lobbyist Registration Act, except that an entity not otherwise a prohibited source does not become a prohibited source merely because a registered lobbyist is one of its members or serves on its board of directors.

(b) No trustee or employee of a retirement system, pension fund, or investment board created under this Code shall intentionally solicit or accept any gift from any prohibited source as prescribed in Article 10 of the State Officials and Employees Ethics Act. The exceptions contained in Section 10-15 of that Act, other than paragraphs (4) and (5) of that Section shall apply to trustees and employees of a retirement system, pension fund, or investment board created under this Code. Solicitation or acceptance of educational materials, however, is not prohibited. For the purposes of this Section, references to "State employee" and "employee" in Article 10 of the State Officials and Employees Ethics Act shall include a trustee or employee of a retirement system, pension fund, or investment board created under this Code.

(c) A municipality may adopt or maintain policies or ordinances that are more restrictive than those set forth in this Section and may continue to follow any existing policies or ordinances that are more restrictive or are in addition to those set forth in this Section.

(d) To the extent that the provisions of this Section conflict with the provisions of the State Officials and Employees Ethics Act, the provisions of this Section control.

(e) Violation of this Section is a Class A misdemeanor.
(Source: P.A. 95-950, eff. 8-29-08; 96-6, eff. 4-3-09.)

(40 ILCS 5/1-130)

Sec. 1-130. No monetary gain on investments. No member or employee of the board of trustees of any retirement system, pension fund, or investment board created under this Code nor any spouse of such member or employee shall knowingly have any direct interest in the income, gains, or profits of any investments made on behalf of a retirement system, pension fund, or investment board created under this Code for which such person is a member or employee, nor receive any pay or emolument for services in connection with any investment. No member or employee of the board of trustees of any retirement system, pension fund, or investment board created under this Code shall become an endorser or surety, or in any manner an obligor for money loaned or borrowed from any retirement system or pension fund created under this Code or the Illinois State Board of Investment. For the purposes of this Section, an annuity otherwise provided in accordance with this Code or any income, gains, or profits related to any non-controlling interest in any public securities, mutual fund, or other passive investment is not considered monetary gain on investments.

Violation of this Section is a Class 3 felony.
(Source: P.A. 96-6, eff. 4-3-09.)

(40 ILCS 5/1-135)

Sec. 1-135. Fraud. Any person who knowingly makes any false statement or falsifies or permits to be falsified any record of a retirement system or pension fund created under this Code or the Illinois State Board of Investment in an attempt to defraud the retirement system or pension fund created under this Code or the Illinois State Board of Investment is guilty of a Class 3 felony. Any reasonable suspicion by any appointed or elected commissioner, trustee, director, or board member of a retirement system or pension fund created under this Code or the State Board of Investment of a false statement or falsified record being submitted or permitted by a person under this Code shall be immediately referred to the board of trustees of the applicable retirement system or pension fund created under this Code, the State Board of Investment, or the State's Attorney of the jurisdiction where the alleged fraudulent activity occurred. The board of trustees of a retirement system or pension fund created under this Code or the State Board of Investment shall immediately notify the State's Attorney of the jurisdiction where any alleged fraudulent activity occurred for investigation. For the purposes of this Section, "reasonable suspicion" means a belief, based upon specific and articulable facts, taken together with rational inferences from those facts, that would lead a reasonable person to believe that fraud has been, or will be, committed. A reasonable suspicion is more than a non-particularized suspicion. A mere inconsistency, standing alone, does not give rise to a reasonable suspicion.

(Source: P.A. 96-6, eff. 4-3-09; 97-651, eff. 1-5-12.)

(40 ILCS 5/1-140)

Sec. 1-140. Identification of deceased annuitants. Every pension fund or retirement system under this Code, except for a pension fund established under Article 3 or 4 of this Code, shall develop and implement, by no later than June 30, 2017, a process to identify annuitants who are deceased. The process shall require the pension fund or retirement system to check for any deceased annuitants at least once per month and shall include the use of any commonly used methods to identify persons who are deceased, which include, but are not limited to, the use of a third party entity that specializes in the identification of deceased persons, the use of data provided by the Social Security Administration, the use of data provided by the Department of Public Health's Office of Vital Records, or the use of any other method that is commonly used by other states to identify deceased persons.

(Source: P.A. 99-683, eff. 7-29-16.)

(40 ILCS 5/1-145)

Sec. 1-145. Contingent and placement fees prohibited. No person or entity shall retain a person or entity to attempt to influence the outcome of an investment decision of or the procurement of investment advice or services of a retirement system, pension fund, or investment board of this Code for compensation, contingent in whole or in part upon the decision or procurement. Any person who violates this Section is guilty of a business offense and shall be fined not more than \$10,000. In addition, any person convicted of a violation of this Section is prohibited for a period of 3 years from

conducting such activities.
(Source: P.A. 96-6, eff. 4-3-09.)

(40 ILCS 5/1-150)

Sec. 1-150. Approval of travel or educational mission. The expenses for travel or educational missions of a board member of a retirement system, pension fund, or investment board created under this Code, except those whose investments are restricted by Section 1-113.2 of this Code, must be approved by a majority of the board prior to the travel or educational mission.

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

(40 ILCS 5/1-160)

(Text of Section WITH the changes made by P.A. 98-641, which has been held unconstitutional)

Sec. 1-160. Provisions applicable to new hires.

(a) The provisions of this Section apply to a person who, on or after January 1, 2011, first becomes a member or a participant under any reciprocal retirement system or pension fund established under this Code, other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, 15 or 18 of this Code, notwithstanding any other provision of this Code to the contrary, but do not apply to any self-managed plan established under this Code, to any person with respect to service as a sheriff's law enforcement employee under Article 7, or to any participant of the retirement plan established under Section 22-101. Notwithstanding anything to the contrary in this Section, for purposes of this Section, a person who participated in a retirement system under Article 15 prior to January 1, 2011 shall be deemed a person who first became a member or participant prior to January 1, 2011 under any retirement system or pension fund subject to this Section. The changes made to this Section by Public Act 98-596 are a clarification of existing law and are intended to be retroactive to the effective date of Public Act 96-889, notwithstanding the provisions of Section 1-103.1 of this Code.

(b) "Final average salary" means the average monthly (or annual) salary obtained by dividing the total salary or earnings calculated under the Article applicable to the member or participant during the 96 consecutive months (or 8 consecutive years) of service within the last 120 months (or 10 years) of service in which the total salary or earnings calculated under the applicable Article was the highest by the number of months (or years) of service in that period. For the purposes of a person who first becomes a member or participant of any retirement system or pension fund to which this Section applies on or after January 1, 2011, in this Code, "final average salary" shall be substituted for the following:

(1) In Article 7 (except for service as sheriff's law enforcement employees), "final rate of earnings".

(2) In Articles 8, 9, 10, 11, and 12, "highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of withdrawal".

(3) In Article 13, "average final salary".

(4) In Article 14, "final average compensation".

(5) In Article 17, "average salary".

(6) In Section 22-207, "wages or salary received by

him at the date of retirement or discharge".

(b-5) Beginning on January 1, 2011, for all purposes under this Code (including without limitation the calculation of benefits and employee contributions), the annual earnings, salary, or wages (based on the plan year) of a member or participant to whom this Section applies shall not exceed \$106,800; however, that amount shall annually thereafter be increased by the lesser of (i) 3% of that amount, including all previous adjustments, or (ii) one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, including all previous adjustments.

For the purposes of this Section, "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the boards of the retirement systems and pension funds by November 1 of each year.

(c) A member or participant is entitled to a retirement annuity upon written application if he or she has attained age 67 (beginning January 1, 2015, age 65 with respect to service under Article 8, 11, or 12 of this Code that is subject to this Section) and has at least 10 years of service credit and is otherwise eligible under the requirements of the applicable Article.

A member or participant who has attained age 62 (beginning January 1, 2015, age 60 with respect to service under Article 8, 11, or 12 of this Code that is subject to this Section) and has at least 10 years of service credit and is otherwise eligible under the requirements of the applicable Article may elect to receive the lower retirement annuity provided in subsection (d) of this Section.

(d) The retirement annuity of a member or participant who is retiring after attaining age 62 (beginning January 1, 2015, age 60 with respect to service under Article 8, 11, or 12 of this Code that is subject to this Section) with at least 10 years of service credit shall be reduced by one-half of 1% for each full month that the member's age is under age 67 (beginning January 1, 2015, age 65 with respect to service under Article 8, 11, or 12 of this Code that is subject to this Section).

(e) Any retirement annuity or supplemental annuity shall be subject to annual increases on the January 1 occurring either on or after the attainment of age 67 (beginning January 1, 2015, age 65 with respect to service under Article 8, 11, or 12 of this Code that is subject to this Section) or the first anniversary (the second anniversary with respect to service under Article 8 or 11) of the annuity start date, whichever is later. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted retirement annuity. If the annual unadjusted percentage change in the consumer price index-u for the 12 months ending with the

September preceding each November 1 is zero or there is a decrease, then the annuity shall not be increased.

Notwithstanding any provision of this Section to the contrary, with respect to service under Article 8 or 11 of this Code that is subject to this Section, no annual increase under this subsection shall be paid or accrue to any person in year 2025. In all other years, the Fund shall continue to pay annual increases as provided in this Section.

Notwithstanding Section 1-103.1 of this Code, the changes in this amendatory Act of the 98th General Assembly are applicable without regard to whether the employee was in active service on or after the effective date of this amendatory Act of the 98th General Assembly.

(f) The initial survivor's or widow's annuity of an otherwise eligible survivor or widow of a retired member or participant who first became a member or participant on or after January 1, 2011 shall be in the amount of 66 2/3% of the retired member's or participant's retirement annuity at the date of death. In the case of the death of a member or participant who has not retired and who first became a member or participant on or after January 1, 2011, eligibility for a survivor's or widow's annuity shall be determined by the applicable Article of this Code. The initial benefit shall be 66 2/3% of the earned annuity without a reduction due to age. A child's annuity of an otherwise eligible child shall be in the amount prescribed under each Article if applicable. Any survivor's or widow's annuity shall be increased (1) on each January 1 occurring on or after the commencement of the annuity if the deceased member died while receiving a retirement annuity or (2) in other cases, on each January 1 occurring after the first anniversary of the commencement of the annuity. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted survivor's annuity. If the annual unadjusted percentage change in the consumer price index-u for the 12 months ending with the September preceding each November 1 is zero or there is a decrease, then the annuity shall not be increased.

(g) The benefits in Section 14-110 apply only if the person is a State policeman, a fire fighter in the fire protection service of a department, or a security employee of the Department of Corrections or the Department of Juvenile Justice, as those terms are defined in subsection (b) of Section 14-110. A person who meets the requirements of this Section is entitled to an annuity calculated under the provisions of Section 14-110, in lieu of the regular or minimum retirement annuity, only if the person has withdrawn from service with not less than 20 years of eligible creditable service and has attained age 60, regardless of whether the attainment of age 60 occurs while the person is still in service.

(h) If a person who first becomes a member or a participant of a retirement system or pension fund subject to this Section on or after January 1, 2011 is receiving a retirement annuity or retirement pension under that system or fund and becomes a member or participant under any other system or fund created by this Code and is employed on a full-time basis, except for those members or participants exempted

from the provisions of this Section under subsection (a) of this Section, then the person's retirement annuity or retirement pension under that system or fund shall be suspended during that employment. Upon termination of that employment, the person's retirement annuity or retirement pension payments shall resume and be recalculated if recalculation is provided for under the applicable Article of this Code.

If a person who first becomes a member of a retirement system or pension fund subject to this Section on or after January 1, 2012 and is receiving a retirement annuity or retirement pension under that system or fund and accepts on a contractual basis a position to provide services to a governmental entity from which he or she has retired, then that person's annuity or retirement pension earned as an active employee of the employer shall be suspended during that contractual service. A person receiving an annuity or retirement pension under this Code shall notify the pension fund or retirement system from which he or she is receiving an annuity or retirement pension, as well as his or her contractual employer, of his or her retirement status before accepting contractual employment. A person who fails to submit such notification shall be guilty of a Class A misdemeanor and required to pay a fine of \$1,000. Upon termination of that contractual employment, the person's retirement annuity or retirement pension payments shall resume and, if appropriate, be recalculated under the applicable provisions of this Code.

(i) (Blank).

(j) In the case of a conflict between the provisions of this Section and any other provision of this Code, the provisions of this Section shall control.

(Source: P.A. 97-609, eff. 1-1-12; 98-92, eff. 7-16-13; 98-596, eff. 11-19-13; 98-622, eff. 6-1-14; 98-641, eff. 6-9-14.)

(Text of Section WITHOUT the changes made by P.A. 98-641, which has been held unconstitutional)

(Text of Section from P.A. 98-596)

Sec. 1-160. Provisions applicable to new hires.

(a) The provisions of this Section apply to a person who, on or after January 1, 2011, first becomes a member or a participant under any reciprocal retirement system or pension fund established under this Code, other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, 15 or 18 of this Code, notwithstanding any other provision of this Code to the contrary, but do not apply to any self-managed plan established under this Code, to any person with respect to service as a sheriff's law enforcement employee under Article 7, or to any participant of the retirement plan established under Section 22-101. Notwithstanding anything to the contrary in this Section, for purposes of this Section, a person who participated in a retirement system under Article 15 prior to January 1, 2011 shall be deemed a person who first became a member or participant prior to January 1, 2011 under any retirement system or pension fund subject to this Section. The changes made to this Section by this amendatory Act of the 98th General Assembly are a clarification of existing law and are intended to be retroactive to the effective date of Public Act 96-889, notwithstanding the provisions of Section 1-103.1 of this Code.

(b) "Final average salary" means the average monthly (or

annual) salary obtained by dividing the total salary or earnings calculated under the Article applicable to the member or participant during the 96 consecutive months (or 8 consecutive years) of service within the last 120 months (or 10 years) of service in which the total salary or earnings calculated under the applicable Article was the highest by the number of months (or years) of service in that period. For the purposes of a person who first becomes a member or participant of any retirement system or pension fund to which this Section applies on or after January 1, 2011, in this Code, "final average salary" shall be substituted for the following:

(1) In Article 7 (except for service as sheriff's law enforcement employees), "final rate of earnings".

(2) In Articles 8, 9, 10, 11, and 12, "highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of withdrawal".

(3) In Article 13, "average final salary".

(4) In Article 14, "final average compensation".

(5) In Article 17, "average salary".

(6) In Section 22-207, "wages or salary received by him at the date of retirement or discharge".

(b-5) Beginning on January 1, 2011, for all purposes under this Code (including without limitation the calculation of benefits and employee contributions), the annual earnings, salary, or wages (based on the plan year) of a member or participant to whom this Section applies shall not exceed \$106,800; however, that amount shall annually thereafter be increased by the lesser of (i) 3% of that amount, including all previous adjustments, or (ii) one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, including all previous adjustments.

For the purposes of this Section, "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the boards of the retirement systems and pension funds by November 1 of each year.

(c) A member or participant is entitled to a retirement annuity upon written application if he or she has attained age 67 and has at least 10 years of service credit and is otherwise eligible under the requirements of the applicable Article.

A member or participant who has attained age 62 and has at least 10 years of service credit and is otherwise eligible under the requirements of the applicable Article may elect to receive the lower retirement annuity provided in subsection (d) of this Section.

(d) The retirement annuity of a member or participant who is retiring after attaining age 62 with at least 10 years of service credit shall be reduced by one-half of 1% for each full month that the member's age is under age 67.

(e) Any retirement annuity or supplemental annuity shall be subject to annual increases on the January 1 occurring

either on or after the attainment of age 67 or the first anniversary of the annuity start date, whichever is later. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted retirement annuity. If the annual unadjusted percentage change in the consumer price index-u for the 12 months ending with the September preceding each November 1 is zero or there is a decrease, then the annuity shall not be increased.

(f) The initial survivor's or widow's annuity of an otherwise eligible survivor or widow of a retired member or participant who first became a member or participant on or after January 1, 2011 shall be in the amount of 66 2/3% of the retired member's or participant's retirement annuity at the date of death. In the case of the death of a member or participant who has not retired and who first became a member or participant on or after January 1, 2011, eligibility for a survivor's or widow's annuity shall be determined by the applicable Article of this Code. The initial benefit shall be 66 2/3% of the earned annuity without a reduction due to age. A child's annuity of an otherwise eligible child shall be in the amount prescribed under each Article if applicable. Any survivor's or widow's annuity shall be increased (1) on each January 1 occurring on or after the commencement of the annuity if the deceased member died while receiving a retirement annuity or (2) in other cases, on each January 1 occurring after the first anniversary of the commencement of the annuity. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted survivor's annuity. If the annual unadjusted percentage change in the consumer price index-u for the 12 months ending with the September preceding each November 1 is zero or there is a decrease, then the annuity shall not be increased.

(g) The benefits in Section 14-110 apply only if the person is a State policeman, a fire fighter in the fire protection service of a department, or a security employee of the Department of Corrections or the Department of Juvenile Justice, as those terms are defined in subsection (b) of Section 14-110. A person who meets the requirements of this Section is entitled to an annuity calculated under the provisions of Section 14-110, in lieu of the regular or minimum retirement annuity, only if the person has withdrawn from service with not less than 20 years of eligible creditable service and has attained age 60, regardless of whether the attainment of age 60 occurs while the person is still in service.

(h) If a person who first becomes a member or a participant of a retirement system or pension fund subject to this Section on or after January 1, 2011 is receiving a retirement annuity or retirement pension under that system or fund and becomes a member or participant under any other system or fund created by this Code and is employed on a full-time basis, except for those members or participants exempted from the provisions of this Section under subsection (a) of this Section, then the person's retirement annuity or

retirement pension under that system or fund shall be suspended during that employment. Upon termination of that employment, the person's retirement annuity or retirement pension payments shall resume and be recalculated if recalculation is provided for under the applicable Article of this Code.

If a person who first becomes a member of a retirement system or pension fund subject to this Section on or after January 1, 2012 and is receiving a retirement annuity or retirement pension under that system or fund and accepts on a contractual basis a position to provide services to a governmental entity from which he or she has retired, then that person's annuity or retirement pension earned as an active employee of the employer shall be suspended during that contractual service. A person receiving an annuity or retirement pension under this Code shall notify the pension fund or retirement system from which he or she is receiving an annuity or retirement pension, as well as his or her contractual employer, of his or her retirement status before accepting contractual employment. A person who fails to submit such notification shall be guilty of a Class A misdemeanor and required to pay a fine of \$1,000. Upon termination of that contractual employment, the person's retirement annuity or retirement pension payments shall resume and, if appropriate, be recalculated under the applicable provisions of this Code.

(i) (Blank).

(j) In the case of a conflict between the provisions of this Section and any other provision of this Code, the provisions of this Section shall control.

(Source: P.A. 97-609, eff. 1-1-12; 98-92, eff. 7-16-13; 98-596, eff. 11-19-13.)

(Text of Section from P.A. 98-622)

Sec. 1-160. Provisions applicable to new hires.

(a) The provisions of this Section apply to a person who, on or after January 1, 2011, first becomes a member or a participant under any reciprocal retirement system or pension fund established under this Code, other than a retirement system or pension fund established under Article 2, 3, 4, 5, 6, 15 or 18 of this Code, notwithstanding any other provision of this Code to the contrary, but do not apply to any self-managed plan established under this Code, to any person with respect to service as a sheriff's law enforcement employee under Article 7, or to any participant of the retirement plan established under Section 22-101.

(b) "Final average salary" means the average monthly (or annual) salary obtained by dividing the total salary or earnings calculated under the Article applicable to the member or participant during the 96 consecutive months (or 8 consecutive years) of service within the last 120 months (or 10 years) of service in which the total salary or earnings calculated under the applicable Article was the highest by the number of months (or years) of service in that period. For the purposes of a person who first becomes a member or participant of any retirement system or pension fund to which this Section applies on or after January 1, 2011, in this Code, "final average salary" shall be substituted for the following:

(1) In Article 7 (except for service as sheriff's law enforcement employees), "final rate of earnings".

(2) In Articles 8, 9, 10, 11, and 12, "highest

average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of withdrawal".

(3) In Article 13, "average final salary".

(4) In Article 14, "final average compensation".

(5) In Article 17, "average salary".

(6) In Section 22-207, "wages or salary received by him at the date of retirement or discharge".

(b-5) Beginning on January 1, 2011, for all purposes under this Code (including without limitation the calculation of benefits and employee contributions), the annual earnings, salary, or wages (based on the plan year) of a member or participant to whom this Section applies shall not exceed \$106,800; however, that amount shall annually thereafter be increased by the lesser of (i) 3% of that amount, including all previous adjustments, or (ii) one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, including all previous adjustments.

For the purposes of this Section, "consumer price index-u" means the index published by the Bureau of Labor Statistics of the United States Department of Labor that measures the average change in prices of goods and services purchased by all urban consumers, United States city average, all items, 1982-84 = 100. The new amount resulting from each annual adjustment shall be determined by the Public Pension Division of the Department of Insurance and made available to the boards of the retirement systems and pension funds by November 1 of each year.

(c) A member or participant is entitled to a retirement annuity upon written application if he or she has attained age 67 (beginning January 1, 2015, age 65 with respect to service under Article 12 of this Code that is subject to this Section) and has at least 10 years of service credit and is otherwise eligible under the requirements of the applicable Article.

A member or participant who has attained age 62 (beginning January 1, 2015, age 60 with respect to service under Article 12 of this Code that is subject to this Section) and has at least 10 years of service credit and is otherwise eligible under the requirements of the applicable Article may elect to receive the lower retirement annuity provided in subsection (d) of this Section.

(d) The retirement annuity of a member or participant who is retiring after attaining age 62 (beginning January 1, 2015, age 60 with respect to service under Article 12 of this Code that is subject to this Section) with at least 10 years of service credit shall be reduced by one-half of 1% for each full month that the member's age is under age 67 (beginning January 1, 2015, age 65 with respect to service under Article 12 of this Code that is subject to this Section).

(e) Any retirement annuity or supplemental annuity shall be subject to annual increases on the January 1 occurring either on or after the attainment of age 67 (beginning January 1, 2015, age 65 with respect to service under Article 12 of this Code that is subject to this Section) or the first anniversary of the annuity start date, whichever is later. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with

the September preceding each November 1, whichever is less, of the originally granted retirement annuity. If the annual unadjusted percentage change in the consumer price index-u for the 12 months ending with the September preceding each November 1 is zero or there is a decrease, then the annuity shall not be increased.

(f) The initial survivor's or widow's annuity of an otherwise eligible survivor or widow of a retired member or participant who first became a member or participant on or after January 1, 2011 shall be in the amount of 66 2/3% of the retired member's or participant's retirement annuity at the date of death. In the case of the death of a member or participant who has not retired and who first became a member or participant on or after January 1, 2011, eligibility for a survivor's or widow's annuity shall be determined by the applicable Article of this Code. The initial benefit shall be 66 2/3% of the earned annuity without a reduction due to age. A child's annuity of an otherwise eligible child shall be in the amount prescribed under each Article if applicable. Any survivor's or widow's annuity shall be increased (1) on each January 1 occurring on or after the commencement of the annuity if the deceased member died while receiving a retirement annuity or (2) in other cases, on each January 1 occurring after the first anniversary of the commencement of the annuity. Each annual increase shall be calculated at 3% or one-half the annual unadjusted percentage increase (but not less than zero) in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the originally granted survivor's annuity. If the annual unadjusted percentage change in the consumer price index-u for the 12 months ending with the September preceding each November 1 is zero or there is a decrease, then the annuity shall not be increased.

(g) The benefits in Section 14-110 apply only if the person is a State policeman, a fire fighter in the fire protection service of a department, or a security employee of the Department of Corrections or the Department of Juvenile Justice, as those terms are defined in subsection (b) of Section 14-110. A person who meets the requirements of this Section is entitled to an annuity calculated under the provisions of Section 14-110, in lieu of the regular or minimum retirement annuity, only if the person has withdrawn from service with not less than 20 years of eligible creditable service and has attained age 60, regardless of whether the attainment of age 60 occurs while the person is still in service.

(h) If a person who first becomes a member or a participant of a retirement system or pension fund subject to this Section on or after January 1, 2011 is receiving a retirement annuity or retirement pension under that system or fund and becomes a member or participant under any other system or fund created by this Code and is employed on a full-time basis, except for those members or participants exempted from the provisions of this Section under subsection (a) of this Section, then the person's retirement annuity or retirement pension under that system or fund shall be suspended during that employment. Upon termination of that employment, the person's retirement annuity or retirement pension payments shall resume and be recalculated if recalculation is provided for under the applicable Article of

this Code.

If a person who first becomes a member of a retirement system or pension fund subject to this Section on or after January 1, 2012 and is receiving a retirement annuity or retirement pension under that system or fund and accepts on a contractual basis a position to provide services to a governmental entity from which he or she has retired, then that person's annuity or retirement pension earned as an active employee of the employer shall be suspended during that contractual service. A person receiving an annuity or retirement pension under this Code shall notify the pension fund or retirement system from which he or she is receiving an annuity or retirement pension, as well as his or her contractual employer, of his or her retirement status before accepting contractual employment. A person who fails to submit such notification shall be guilty of a Class A misdemeanor and required to pay a fine of \$1,000. Upon termination of that contractual employment, the person's retirement annuity or retirement pension payments shall resume and, if appropriate, be recalculated under the applicable provisions of this Code.

(i) (Blank).

(j) In the case of a conflict between the provisions of this Section and any other provision of this Code, the provisions of this Section shall control.

(Source: P.A. 97-609, eff. 1-1-12; 98-92, eff. 7-16-13; 98-622, eff. 6-1-14.)

(40 ILCS 5/1-165)

Sec. 1-165. Commission on Government Forecasting and Accountability study. The Commission on Government Forecasting and Accountability shall conduct a study on the feasibility of:

(1) the creation of an investment pool to supplement and enhance the investment opportunities available to boards of trustees of the pension funds organized under Articles 3 and 4 of this Code; the study shall include an analysis on any cost or cost savings associated with establishing the system and transferring assets for management under the investment pool; and

(2) enacting a contribution cost-share component wherein employing municipalities and members of funds established under Articles 3 and 4 of this Code each contribute 50% of the normal cost of the defined-benefit plan.

The Commission shall issue a report on its findings on or before December 31, 2011.

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

(40 ILCS 5/1-166)

Sec. 1-166. Proportional annuity liability.

(a) If a participant's final average salary in a participating system under the Retirement Systems Reciprocal Act, other than the General Assembly Retirement System, is used to calculate a proportional retirement annuity for that participant under the General Assembly Retirement System, if that final average salary is higher than the highest salary for annuity purposes of that person under the General Assembly Retirement System, and if the participant retires after the effective date of this Section with less than 2 years of service that has accrued in that participating system since

his or her last day of active participation in the General Assembly Retirement System, then the increased cost of the proportional annuity paid by the General Assembly Retirement System that is attributable to that higher level of compensation shall be paid by the employer of the participant under that other participating system to the General Assembly Retirement System in the form of a lump sum payment determined by the General Assembly Retirement System in accordance with its annuity tables and other actuarial assumptions.

(b) For the purposes of this Section, "final average salary in a participating system under the Retirement Systems Reciprocal Act, other than the General Assembly Retirement System," includes:

(1) In Section 1-160 and Articles 16 and 18, "final average salary".

(2) In Articles 7 and 15, "final rate of earnings".

(3) In Articles 8, 9, 10, 11, and 12, "highest average annual salary for any 4 consecutive years within the last 10 years of service immediately preceding the date of withdrawal".

(4) In Article 13, "average final salary".

(5) In Article 14, "final average compensation".

(6) In Article 17, "average salary".

(7) In Section 22-207, "wages or salary received by him at the date of retirement or discharge".

(c) If an employer fails to pay the amount required under this Section to the General Assembly Retirement System for more than 90 days after the payment is due, the System, after giving notice to the employer, may certify to the State Comptroller the amount of the delinquent payment and the Comptroller shall deduct the amount so certified or any part thereof from any payment of State funds to the employer and shall pay the amount so deducted to the System. If State funds from which such deductions may be made are not available, then the System may proceed against the employer to recover the amount of the delinquent payment in the appropriate circuit court.

(Source: P.A. 97-967, eff. 8-16-12.)