



modification of how benefits are disbursed, or increase costs to a Downstate Police or Downstate Fire pension fund must demonstrate the fiscal impact of the legislation on at least 25 municipalities. SB 2090 provides that the Illinois Municipal League shall submit a list of 25 pension funds to the Commission on Government Forecasting and Accountability to be analyzed in accordance with this expanded impact note requirement.

#### Penalties for Fiduciaries

SB 2090 stipulates that a fiduciary of a Downstate Police or Fire pension fund shall not knowingly cause or advise the pension fund to engage in an investment transaction when the fiduciary has any direct interest in the income, gains, or profits of the investment advisor through which the investment transaction is made or has a business relationship with that investment advisor that would result in a pecuniary benefit to the fiduciary as a result of the investment transaction. SB 2090 would make violation of the foregoing prohibition a Class 4 felony.

#### Investment Advisors and Investment Services

SB 2090 provides that a person or entity that provides consulting services to a pension fund with respect to the selection of fiduciaries may not be awarded a contract to provide those consulting services for more than 5 years in duration. The bill provides that no such contract to provide consulting services may be renewed or extended. At the end of the term of a contract, the contractor shall be eligible to compete for a new contract.

#### Requirements for Consultants

SB 2090 requires a consultant who is neither a pension fund board member or employee to be one of the following on or after July 1, 2008: a registered investment advisor under the federal Investment Advisers Act of 1940; a registered investment advisor under the Illinois Securities Law of 1953; a bank; or, an insurance company.

#### Disclosure of Fees by Investment Advisors and Consultants

SB 2090 requires all contracts for investment services to fully disclose all direct and indirect fees, commissions, penalties, and other forms of compensation, including reimbursement for expenses that may be paid by or on behalf of the investment advisor or consultant in connection with the provision of investment services. SB 2090 also requires that all investment advisors and consultants who currently provide investment services on a contractual basis must, within 30 days of the effective date, disclose to the board of trustees of the pension fund all direct and indirect fees, commissions, penalties, and other compensation paid by or on behalf of the investment advisor or consultant in connection with the provision of investment services.

#### Prohibition on Gifts

SB 2090 prohibits board members of Downstate Police and Fire pension funds from accepting or soliciting gifts from “prohibited sources.” The bill defines a “prohibited source” as a person who is seeking official action by the board of trustees of the pension fund or has interests that may be substantially affected by the performance or non-performance of the official duties of the board member or employee. Violators of the aforementioned provisions will be guilty of a Class A misdemeanor.

### Examinations and Investigations

The Public Pension Division of the Department of Financial and Professional Regulation is currently authorized to conduct periodic investigations and examinations of all pension funds established under the Pension Code. These examinations consist of audits of financial transactions, investment policies, examinations of books, records, documents, and files, among other things. SB 2090 provides for examinations of Downstate Police and Fire pension funds every three years. Additionally, the bill adds a requirement that, in the course of such investigations, the department make a determination as to the accuracy of annuity payments made by Downstate Police and Fire pension funds

### Prohibition on Transfers from Public Pension Regulation Fund

The Public Pension Regulation Fund is an appropriated fund that was established to receive and record all monies collected by the Public Pension Division of the Department of Financial and Professional Regulation in accordance with the Department's regulatory activities under the Pension Code. SB 2090 prohibits transfers from the Public Pension Regulation Fund that would reduce the available resources in the fund.

### Anti-Fraud Provisions

SB 2090 contains a number of anti-fraud provisions in the Downstate Police and Fire articles of the Pension Code. The bill makes all the following actions a Class 4 felony:

- Presenting a fraudulent claim for a disability pension;
- Making a false statement for the purpose of obtaining a disability pension;
- Making a false statement in the course of a fraud investigation;
- Assisting or abetting in the commission of a fraudulent act.

The bill provides that any police officer or firefighter who is convicted of any of the foregoing actions will be ordered to pay complete restitution to any entity so defrauded in addition to any fine or sentence imposed as a result of the conviction.

### Various Administrative Provisions

SB 2090 contains certain administrative provisions in the Downstate Police and Fire articles of the Pension Code. The bill allows municipalities to appear before pension boards as a matter of right, even in cases where the municipality is not a party to a hearing involving the pension fund member. The bill also stipulates that no pension benefit shall be awarded until the municipality reviews and verifies all benefit calculations. SB 2090 also requires Downstate Police and Fire pension funds to annually publish the fiscal status of their respective pension funds in a local newspaper of general circulation.

### Report on Downstate Police and Fire Pension Funds

SB 2090 requires the Commission on Government Forecasting and Accountability to analyze data submitted by the Public Pension Division of the Illinois Department of Financial and Professional Regulation pertaining to Downstate Police and Fire pension

funds. The Commission is required to issue a formal report during odd numbered years analyzing the fiscal status of Downstate Police and Fire pension funds. The report shall also contain forecasts for fifteen Downstate Police and fifteen Downstate Fire pension funds. The bill stipulates that the Illinois Municipal League shall submit to CGFA the list of pension funds to be analyzed.

SB 2090 amends the State Mandates Act to require implementation without reimbursement.

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