COMMISSION ON GOVERNMENT FORECASTING AND ACCOUNTABILITY

PENSION IMPACT NOTE

102nd GENERAL ASSEMBLY

BILL NO: **SB 0460, as amended by SA 1** April 25, 2021

SPONSOR (S): Harris - Villa

SYSTEM(S): General Provisions Article

FISCAL IMPACT: There is no discernible fiscal impact associated with SB 0460, as amended by SA 1.

SUBJECT MATTER: SB 0460, as amended by SA 1, amends the General Provisions Article of the Pension Code such that all funds governed under the Pension Code must provide a procedure whereby the pension fund may hire an emerging investment manager.

COMMENT: SB 0460, as amended by SA 1, amends the General Provisions Article of the Pension Code to mandate that all contracts for investment services shall be awarded by the board of a pension fund or retirement system using a competitive process that is substantially similar to the process required for professional and artistic services under the Illinois Procurement Code. The bill also provides that the relevant pension board may select an emerging investment manager based upon the written recommendation of an investment advisor that provides qualified emerging investment managers that have provided investment services in the multimanager portfolio for at least 24 months. (Under the General Provisions Article of the Pension Code, "emerging investment manager" means a qualified investment adviser that manages investment portfolios of at least $10 million and is minority-owned, women-owned, or owned by a person with a disability).

According to IMRF, SA 1 to SB 0460 is specific to emerging managers that are being "graduated" out of Manager of Manager (MofM) programs that IMRF (and presumably other large pension funds) invest in. Essentially, the amended bill provides that if there's an emerging manager that has been in the MofM program for at least two years and the MofM advisor agrees that the emerging manager is ready for a direct investment, the pension fund would not be required to undertake a new procurement for the direct investment since the pension fund has been investing with the emerging manager through the MofM program.

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