

1 AN ACT concerning finance.

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

4 Section 5. The Public Funds Investment Act is amended by
5 changing Section 2 as follows:

6 (30 ILCS 235/2) (from Ch. 85, par. 902)

7 Sec. 2. Authorized investments.

8 (a) Any public agency may invest any public funds as
9 follows:

10 (1) in bonds, notes, certificates of indebtedness,
11 treasury bills or other securities now or hereafter
12 issued, which are guaranteed by the full faith and credit
13 of the United States of America as to principal and
14 interest;

15 (2) in bonds, notes, debentures, or other similar
16 obligations of the United States of America, its agencies,
17 and its instrumentalities;

18 (3) in interest-bearing savings accounts,
19 interest-bearing certificates of deposit or
20 interest-bearing time deposits or any other investments
21 constituting direct obligations of any bank as defined by
22 the Illinois Banking Act;

23 (4) in short-term obligations of corporations

1 organized in the United States with assets exceeding
2 \$500,000,000 if (i) such obligations are rated at the time
3 of purchase at one of the 3 highest classifications
4 established by at least 2 standard rating services and
5 which mature not later than 270 days from the date of
6 purchase, (ii) such purchases do not exceed 10% of the
7 corporation's outstanding obligations, and (iii) no more
8 than one-third of the public agency's funds may be
9 invested in short-term obligations of corporations under
10 this paragraph (4);

11 (4.5) in obligations of corporations organized in the
12 United States with assets exceeding \$500,000,000 if (i)
13 such obligations are rated at the time of purchase at one
14 of the 3 highest classifications established by at least 2
15 standard rating services and which mature more than 270
16 days but less than 10 ~~3~~ years from the date of purchase,
17 (ii) such purchases do not exceed 10% of the corporation's
18 outstanding obligations, and (iii) no more than one-third
19 of the public agency's funds may be invested in
20 obligations of corporations under this paragraph (4.5); or

21 (5) in money market mutual funds registered under the
22 Investment Company Act of 1940, provided that the
23 portfolio of any such money market mutual fund is limited
24 to obligations described in paragraph (1) or (2) of this
25 subsection and to agreements to repurchase such
26 obligations.

1 (a-1) In addition to any other investments authorized
2 under this Act, a municipality, park district, forest preserve
3 district, conservation district, county, or other governmental
4 unit may invest its public funds in interest bearing bonds of
5 any county, township, city, village, incorporated town,
6 municipal corporation, or school district, of the State of
7 Illinois, of any other state, or of any political subdivision
8 or agency of the State of Illinois or of any other state,
9 whether the interest earned thereon is taxable or tax-exempt
10 under federal law. The bonds shall be registered in the name of
11 the municipality, park district, forest preserve district,
12 conservation district, county, or other governmental unit, or
13 held under a custodial agreement at a bank. The bonds shall be
14 rated at the time of purchase within the 4 highest general
15 classifications established by a rating service of nationally
16 recognized expertise in rating bonds of states and their
17 political subdivisions.

18 (b) Investments may be made only in banks which are
19 insured by the Federal Deposit Insurance Corporation. Any
20 public agency may invest any public funds in short term
21 discount obligations of the Federal National Mortgage
22 Association or in shares or other forms of securities legally
23 issuable by savings banks or savings and loan associations
24 incorporated under the laws of this State or any other state or
25 under the laws of the United States. Investments may be made
26 only in those savings banks or savings and loan associations

1 the shares, or investment certificates of which are insured by
2 the Federal Deposit Insurance Corporation. Any such securities
3 may be purchased at the offering or market price thereof at the
4 time of such purchase. All such securities so purchased shall
5 mature or be redeemable on a date or dates prior to the time
6 when, in the judgment of such governing authority, the public
7 funds so invested will be required for expenditure by such
8 public agency or its governing authority. The expressed
9 judgment of any such governing authority as to the time when
10 any public funds will be required for expenditure or be
11 redeemable is final and conclusive. Any public agency may
12 invest any public funds in dividend-bearing share accounts,
13 share certificate accounts or class of share accounts of a
14 credit union chartered under the laws of this State or the laws
15 of the United States; provided, however, the principal office
16 of any such credit union must be located within the State of
17 Illinois. Investments may be made only in those credit unions
18 the accounts of which are insured by applicable law.

19 (c) For purposes of this Section, the term "agencies of
20 the United States of America" includes: (i) the federal land
21 banks, federal intermediate credit banks, banks for
22 cooperative, federal farm credit banks, or any other entity
23 authorized to issue debt obligations under the Farm Credit Act
24 of 1971 (12 U.S.C. 2001 et seq.) and Acts amendatory thereto;
25 (ii) the federal home loan banks and the federal home loan
26 mortgage corporation; and (iii) any other agency created by

1 Act of Congress.

2 (d) Except for pecuniary interests permitted under
3 subsection (f) of Section 3-14-4 of the Illinois Municipal
4 Code or under Section 3.2 of the Public Officer Prohibited
5 Practices Act, no person acting as treasurer or financial
6 officer or who is employed in any similar capacity by or for a
7 public agency may do any of the following:

8 (1) have any interest, directly or indirectly, in any
9 investments in which the agency is authorized to invest.

10 (2) have any interest, directly or indirectly, in the
11 sellers, sponsors, or managers of those investments.

12 (3) receive, in any manner, compensation of any kind
13 from any investments in which the agency is authorized to
14 invest.

15 (e) Any public agency may also invest any public funds in a
16 Public Treasurers' Investment Pool created under Section 17 of
17 the State Treasurer Act. Any public agency may also invest any
18 public funds in a fund managed, operated, and administered by
19 a bank, subsidiary of a bank, or subsidiary of a bank holding
20 company or use the services of such an entity to hold and
21 invest or advise regarding the investment of any public funds.

22 (f) To the extent a public agency has custody of funds not
23 owned by it or another public agency and does not otherwise
24 have authority to invest such funds, the public agency may
25 invest such funds as if they were its own. Such funds must be
26 released to the appropriate person at the earliest reasonable

1 time, but in no case exceeding 31 days, after the private
2 person becomes entitled to the receipt of them. All earnings
3 accruing on any investments or deposits made pursuant to the
4 provisions of this Act shall be credited to the public agency
5 by or for which such investments or deposits were made, except
6 as provided otherwise in Section 4.1 of the State Finance Act
7 or the Local Governmental Tax Collection Act, and except where
8 by specific statutory provisions such earnings are directed to
9 be credited to and paid to a particular fund.

10 (g) A public agency may purchase or invest in repurchase
11 agreements of government securities having the meaning set out
12 in the Government Securities Act of 1986, as now or hereafter
13 amended or succeeded, subject to the provisions of said Act
14 and the regulations issued thereunder. The government
15 securities, unless registered or inscribed in the name of the
16 public agency, shall be purchased through banks or trust
17 companies authorized to do business in the State of Illinois.

18 (h) Except for repurchase agreements of government
19 securities which are subject to the Government Securities Act
20 of 1986, as now or hereafter amended or succeeded, no public
21 agency may purchase or invest in instruments which constitute
22 repurchase agreements, and no financial institution may enter
23 into such an agreement with or on behalf of any public agency
24 unless the instrument and the transaction meet the following
25 requirements:

26 (1) The securities, unless registered or inscribed in

1 the name of the public agency, are purchased through banks
2 or trust companies authorized to do business in the State
3 of Illinois.

4 (2) An authorized public officer after ascertaining
5 which firm will give the most favorable rate of interest,
6 directs the custodial bank to "purchase" specified
7 securities from a designated institution. The "custodial
8 bank" is the bank or trust company, or agency of
9 government, which acts for the public agency in connection
10 with repurchase agreements involving the investment of
11 funds by the public agency. The State Treasurer may act as
12 custodial bank for public agencies executing repurchase
13 agreements. To the extent the Treasurer acts in this
14 capacity, he is hereby authorized to pass through to such
15 public agencies any charges assessed by the Federal
16 Reserve Bank.

17 (3) A custodial bank must be a member bank of the
18 Federal Reserve System or maintain accounts with member
19 banks. All transfers of book-entry securities must be
20 accomplished on a Reserve Bank's computer records through
21 a member bank of the Federal Reserve System. These
22 securities must be credited to the public agency on the
23 records of the custodial bank and the transaction must be
24 confirmed in writing to the public agency by the custodial
25 bank.

26 (4) Trading partners shall be limited to banks or

1 trust companies authorized to do business in the State of
2 Illinois or to registered primary reporting dealers.

3 (5) The security interest must be perfected.

4 (6) The public agency enters into a written master
5 repurchase agreement which outlines the basic
6 responsibilities and liabilities of both buyer and seller.

7 (7) Agreements shall be for periods of 330 days or
8 less.

9 (8) The authorized public officer of the public agency
10 informs the custodial bank in writing of the maturity
11 details of the repurchase agreement.

12 (9) The custodial bank must take delivery of and
13 maintain the securities in its custody for the account of
14 the public agency and confirm the transaction in writing
15 to the public agency. The Custodial Undertaking shall
16 provide that the custodian takes possession of the
17 securities exclusively for the public agency; that the
18 securities are free of any claims against the trading
19 partner; and any claims by the custodian are subordinate
20 to the public agency's claims to rights to those
21 securities.

22 (10) The obligations purchased by a public agency may
23 only be sold or presented for redemption or payment by the
24 fiscal agent bank or trust company holding the obligations
25 upon the written instruction of the public agency or
26 officer authorized to make such investments.

1 (11) The custodial bank shall be liable to the public
2 agency for any monetary loss suffered by the public agency
3 due to the failure of the custodial bank to take and
4 maintain possession of such securities.

5 (i) Notwithstanding the foregoing restrictions on
6 investment in instruments constituting repurchase agreements
7 the Illinois Housing Development Authority may invest in, and
8 any financial institution with capital of at least
9 \$250,000,000 may act as custodian for, instruments that
10 constitute repurchase agreements, provided that the Illinois
11 Housing Development Authority, in making each such investment,
12 complies with the safety and soundness guidelines for engaging
13 in repurchase transactions applicable to federally insured
14 banks, savings banks, savings and loan associations or other
15 depository institutions as set forth in the Federal Financial
16 Institutions Examination Council Policy Statement Regarding
17 Repurchase Agreements and any regulations issued, or which may
18 be issued by the supervisory federal authority pertaining
19 thereto and any amendments thereto; provided further that the
20 securities shall be either (i) direct general obligations of,
21 or obligations the payment of the principal of and/or interest
22 on which are unconditionally guaranteed by, the United States
23 of America or (ii) any obligations of any agency, corporation
24 or subsidiary thereof controlled or supervised by and acting
25 as an instrumentality of the United States Government pursuant
26 to authority granted by the Congress of the United States and

1 provided further that the security interest must be perfected
2 by either the Illinois Housing Development Authority, its
3 custodian or its agent receiving possession of the securities
4 either physically or transferred through a nationally
5 recognized book entry system.

6 (j) In addition to all other investments authorized under
7 this Section, a community college district may invest public
8 funds in any mutual funds that invest primarily in corporate
9 investment grade or global government short term bonds.
10 Purchases of mutual funds that invest primarily in global
11 government short term bonds shall be limited to funds with
12 assets of at least \$100 million and that are rated at the time
13 of purchase as one of the 10 highest classifications
14 established by a recognized rating service. The investments
15 shall be subject to approval by the local community college
16 board of trustees. Each community college board of trustees
17 shall develop a policy regarding the percentage of the
18 college's investment portfolio that can be invested in such
19 funds.

20 (k) In addition to all other investments authorized under
21 this Section, a public agency may adopt an ordinance or
22 resolution to allow for investment of public funds in other
23 instruments not specifically listed in this Section provided
24 that those investments comply with (i) any other law that
25 authorizes public agencies to invest funds and (ii) the
26 investment policy adopted by the public agency under Section

1 2.5 of this Act.

2 Nothing in this Section shall be construed to authorize an
3 intergovernmental risk management entity to accept the deposit
4 of public funds except for risk management purposes.

5 (Source: P.A. 102-285, eff. 8-6-21.)