

1 AN ACT in relation to public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by
5 changing Section 1-113.2 as follows:

6 (40 ILCS 5/1-113.2)

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

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

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

15 (3) Interest bearing bonds, notes, debentures, or other
16 similar obligations of agencies of the United States of
17 America. For the purposes of this Section, "agencies of the
18 United States of America" includes: (i) the Federal National
19 Mortgage Association and the Student Loan Marketing
20 Association; (ii) federal land banks, federal intermediate
21 credit banks, federal farm credit banks, and any other entity
22 authorized to issue direct debt obligations of the United
23 States of America under the Farm Credit Act of 1971 or
24 amendments to that Act; (iii) federal home loan banks and the
25 Federal Home Loan Mortgage Corporation; and (iv) any agency
26 created by Act of Congress that is authorized to issue direct
27 debt obligations of the United States of America.

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

1 government.

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

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

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

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

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

21 (10) Direct obligations of the State of Israel, subject
22 to the conditions and limitations of item (5.1) of Section
23 1-113.

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

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

34 (ii) bonds, notes, debentures, or other similar

1 obligations of the United States of America or its
2 agencies; and

3 (iii) short term obligations of corporations
4 organized in the United States with assets exceeding
5 \$400,000,000, provided that (A) the obligations mature no
6 later than 180 days from the date of purchase, (B) at the
7 time of purchase, the obligations are rated by at least 2
8 standard national rating services at one of their 3
9 highest classifications, and (C) the obligations held by
10 the mutual fund do not exceed 10% of the corporation's
11 outstanding obligations.

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

14 (13) Any combination of the following, not to exceed 10%
15 of the pension fund's net assets:

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

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

25 (iii) mutual funds or exchange-traded funds that
26 meet the following requirements:

27 (A) the mutual fund or exchange-traded fund is
28 managed by an investment company as defined and
29 registered under the federal Investment Company Act
30 of 1940 and registered under the Illinois Securities
31 Law of 1953;

32 (B) the mutual fund or exchange-traded fund
33 has been in operation for at least 5 years;

34 (C) the mutual fund or exchange-traded fund

1 has total net assets of \$250 million or more; and

2 (D) the mutual fund or exchange-traded fund is
3 comprised of diversified portfolios of common or
4 preferred stocks, bonds, or money market
5 instruments.

6 (14) Any fund that has appointed an investment advisor
7 under Section 1-113.5 may, through that investment advisor,
8 invest a portion of its assets in debt obligations of
9 corporations created or existing under the laws of the United
10 States or any state, district, or territory thereof if (i)
11 the corporation has been in existence for at least 5 years,
12 (ii) the obligations are rated investment grade at the time
13 of purchase by at least 2 standard rating services, (iii)
14 such purchases do not exceed 10% of the corporation's
15 outstanding obligations, and (iv) the security issue size is
16 at least \$50,000,000. No more than 30% of the pension fund's
17 assets may be invested in debt obligations of corporations.

18 (Source: P.A. 90-507, eff. 8-22-97; 91-887, eff. 7-6-00.)

19 Section 99. Effective date. This Act takes effect upon
20 becoming law.