



95TH GENERAL ASSEMBLY

State of Illinois

2007 and 2008

HB0562

Introduced 2/5/2007, by Rep. John E. Bradley

SYNOPSIS AS INTRODUCED:

40 ILCS 5/1A-108.5 new
40 ILCS 5/15-167

from Ch. 108 1/2, par. 15-167

Amends the Illinois Pension Code. Provides that it is the public policy of the State of Illinois to encourage the pension funds, and any State agency investing funds on behalf of pension funds, to promote the economy of Illinois through the use of economic opportunity investments while managing their assets to the greatest extent feasible within the bounds of financial and fiduciary prudence. Provides that each pension fund, except pension funds created under the Downstate Police and Firefighters Articles of the Code, shall submit a report to the Governor and the General Assembly by September 1 of each year that identifies the economic opportunity investments made by the fund, the primary location of the business or project, the percentage of the fund's assets in economic opportunity investments, and the actions that the fund has undertaken to increase the use of economic opportunity investments, including encouraging other investment managers to make economic opportunity investments through subcontractors. Requires certain pension funds, and any State agency investing funds on behalf of those pension funds, to make all reasonable efforts to invest a minimum of 5% of pension fund assets in economic opportunity investments. Effective immediately.

LRB095 07952 AMC 28114 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

1 AN ACT concerning 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 adding
5 Section 1A-108.5 and by changing Section 15-167 as follows:

6 (40 ILCS 5/1A-108.5 new)

7 Sec. 1A-108.5. Economic opportunity investments.

8 (a) For the purposes of this Section:

9 "Economic opportunity investment" means a qualified
10 investment, managed passively or actively by the pension fund,
11 that promotes economic development within the State of Illinois
12 through investments in companies, individuals, partnerships,
13 projects, and financially prudent investment opportunities in
14 Illinois businesses or Illinois-based projects that promote
15 the economy of the State or a region of the State, including
16 without limitation promotion of venture capital programs, coal
17 and other natural resource development, tourism development,
18 infrastructure development, real estate development, and job
19 development within the State of Illinois, while producing a
20 competitive rate of return commensurate with the risk of
21 investment.

22 "Illinois business" means a business that meets any of the
23 following criteria:

1 (1) Conducts 25% or more of its business within the
2 State.

3 (2) Fifty percent or more of its employees are employed
4 in Illinois.

5 (3) Twenty-five percent of the real property owned by
6 the business is located within the State.

7 "Illinois-based project" means an individual project of a
8 business that will result in the conduct of business within the
9 State, the employment of individuals within the State, or the
10 acquisition of real property located within the State.

11 (b) It is the public policy of the State of Illinois to
12 encourage the pension funds, and any State agency investing
13 funds on behalf of pension funds, to promote the economy of
14 Illinois through the use of economic opportunity investments
15 while managing their assets to the greatest extent feasible
16 within the bounds of financial and fiduciary prudence.

17 (c) Each pension fund, except pension funds created under
18 Articles 3 and 4 of this Code, shall submit a report to the
19 Governor and the General Assembly by September 1 of each year
20 that identifies the economic opportunity investments made by
21 the fund, the primary location of the business or project, the
22 percentage of the fund's assets in economic opportunity
23 investments, and the actions that the fund has undertaken to
24 increase the use of economic opportunity investments,
25 including encouraging other investment managers to make
26 economic opportunity investments through subcontractors.

1 (d) Pension funds created under Articles 2, 14, 15, 16, and
2 18 of this Act, and any State agency investing funds on behalf
3 of those pension funds, must make all reasonable efforts to
4 invest a minimum of 5% of pension fund assets in economic
5 opportunity investments. If a pension fund invests less than 5%
6 of pension fund assets in economic opportunity investments,
7 then the pension fund must include the reason it could not meet
8 this minimum in the report required under subsection (c).

9 (e) In making economic opportunity investments, trustees
10 and fiduciaries must comply with the relevant requirements and
11 restrictions set forth in Sections 1-109, 1-109.1, 1-109.2,
12 1-110, and 1-111 of this Code. Economic opportunity investments
13 that otherwise comply with this Code shall not be deemed
14 imprudent solely because it is an investment in an Illinois
15 business or Illinois-based project.

16 (40 ILCS 5/15-167) (from Ch. 108 1/2, par. 15-167)

17 Sec. 15-167. To invest money. To invest the funds of the
18 system, subject to the requirements and restrictions set forth
19 in Sections 1-108.5, 1-109, 1-109.1, 1-109.2, 1-110, 1-111,
20 1-114, 1-115, and 15-158.2(d) of this Code and to invest in
21 real estate acquired by purchase, gift, condemnation or
22 otherwise, and any office building or buildings existing or to
23 be constructed thereon, including any additions thereto or
24 expansions thereof, for the use of the system. The board may
25 lease surplus space in any of the buildings and use rental

1 proceeds for operation, maintenance, improving, expanding and
2 furnishing of the buildings or for any other lawful system
3 purpose.

4 No bank or savings and loan association shall receive
5 investment funds as permitted by this Section, unless it has
6 complied with the requirements established pursuant to Section
7 6 of "An Act relating to certain investments of public funds by
8 public agencies", approved July 23, 1943, as now or hereafter
9 amended. The limitations set forth in such Section 6 shall be
10 applicable only at the time of investment and shall not require
11 the liquidation of any investment at any time.

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

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

22 Investments shall be carried at cost or at a value
23 determined in accordance with generally accepted accounting
24 principles and accounting procedures approved by the Board.

25 All additions to assets from income, interest, and
26 dividends from investments shall be used to pay benefits,

1 operating and administrative expenses of the system, debt
2 service, including any redemption premium, on any bonds issued
3 by the board, expenses incurred or deposits required in
4 connection with such bonds, and such other costs as may be
5 provided in accordance with this Article.

6 (Source: P.A. 90-19, eff. 6-20-97; 90-766, eff. 8-14-98.)

7 Section 99. Effective date. This Act takes effect upon
8 becoming law.