



100TH GENERAL ASSEMBLY

State of Illinois

2017 and 2018

SB2661

Introduced 2/13/2018, by Sen. Jacqueline Y. Collins

SYNOPSIS AS INTRODUCED:

15 ILCS 520/10	from Ch. 130, par. 29
15 ILCS 520/11	from Ch. 130, par. 30
15 ILCS 520/22.5	from Ch. 130, par. 41a

Amends the Deposit of State Moneys Act. Modifies a Section concerning agreements entered into by the State Treasurer with any bank or savings and loan association relating to the deposit of securities. Provides that such agreements may authorize the holding of securities in any bank or a depository trust company in the United States (rather than New York City). Adds to the classes of securities that the State Treasurer may accept as collateral for deposits not insured by an agency of the federal government. Adds to and modifies the investments in which the State Treasurer may invest or reinvest on behalf of the State. Effective immediately.

LRB100 18938 RJF 34188 b

FISCAL NOTE ACT
MAY APPLY

A BILL FOR

1 AN ACT concerning State government.

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

4 Section 5. The Deposit of State Moneys Act is amended by
5 changing Sections 10, 11, and 22.5 as follows:

6 (15 ILCS 520/10) (from Ch. 130, par. 29)

7 Sec. 10. The State Treasurer may enter into agreement in
8 conformity with this Act with any bank or savings and loan
9 association relating to the deposit of securities. Such
10 agreement may authorize the holding by such bank or savings and
11 loan association of such securities in custody and safekeeping
12 solely under the instructions of the State Treasurer either (a)
13 in the office of such bank or savings and loan association, or
14 under the custody and safekeeping of another bank or savings
15 and loan association in this State for the depository bank or
16 savings and loan association, or (b) in ~~if the securities to be~~
17 ~~deposited are held in custody and safekeeping for such bank or~~
18 ~~savings and loan association by~~ a bank or a depository trust
19 company in the United States if the securities to be deposited
20 are held in custody and safekeeping for such bank or savings
21 and loan association ~~New York City, then in such New York bank~~
22 ~~or depository trust company.~~

23 (Source: P.A. 83-541.)

1 (15 ILCS 520/11) (from Ch. 130, par. 30)

2 Sec. 11. Protection of public deposits; eligible
3 collateral.

4 (a) For deposits not insured by an agency of the federal
5 government, the State Treasurer, in his or her discretion, may
6 accept as collateral any of the following classes of
7 securities, provided there has been no default in the payment
8 of principal or interest thereon:

9 (1) Bonds, notes, or other securities constituting
10 direct and general obligations of the United States, the
11 bonds, notes, or other securities constituting the direct
12 and general obligation of any agency or instrumentality of
13 the United States, the interest and principal of which is
14 unconditionally guaranteed by the United States, and
15 bonds, notes, or other securities or evidence of
16 indebtedness constituting the obligation of a U.S. agency
17 or instrumentality.

18 (2) Direct and general obligation bonds of the State of
19 Illinois or of any other state of the United States.

20 (3) Revenue bonds of this State or any authority,
21 board, commission, or similar agency thereof.

22 (4) Direct and general obligation bonds of any city,
23 town, county, school district, or other taxing body of any
24 state, the debt service of which is payable from general ad
25 valorem taxes.

1 (5) Revenue bonds of any city, town, county, or school
2 district of the State of Illinois.

3 (6) Obligations issued, assumed, or guaranteed by the
4 International Finance Corporation, the principal of which
5 is not amortized during the life of the obligation, but no
6 such obligation shall be accepted at more than 90% of its
7 market value.

8 (7) Illinois Affordable Housing Program Trust Fund
9 Bonds or Notes as defined in and issued pursuant to the
10 Illinois Housing Development Act.

11 (8) In an amount equal to at least market value of that
12 amount of funds deposited exceeding the insurance
13 limitation provided by the Federal Deposit Insurance
14 Corporation or the National Credit Union Administration or
15 other approved share insurer: (i) securities, (ii)
16 mortgages, (iii) letters of credit issued by a Federal Home
17 Loan Bank, or (iv) loans covered by a State Guarantee under
18 the Illinois Farm Development Act, if that guarantee has
19 been assumed by the Illinois Finance Authority under
20 Section 845-75 of the Illinois Finance Authority Act, and
21 loans covered by a State Guarantee under Article 830 of the
22 Illinois Finance Authority Act.

23 (9) Obligations of either corporations or limited
24 liability companies organized in the United States with
25 assets exceeding \$500,000,000 if: (i) the obligations are
26 rated at the time of purchase at one of the 3 highest

1 classifications established by at least 2 standard rating
2 services and mature more than 270 days, but less than 5
3 years, from the date of purchase; and (ii) the corporation
4 or the limited liability company has not been placed on the
5 list of restricted companies by the Illinois Investment
6 Policy Board under Section 1-110.16 of the Illinois Pension
7 Code.

8 (b) The State Treasurer may establish a system to aggregate
9 permissible securities received as collateral from financial
10 institutions in a collateral pool to secure State deposits of
11 the institutions that have pledged securities to the pool.

12 (c) The Treasurer may at any time declare any particular
13 security ineligible to qualify as collateral when, in the
14 Treasurer's judgment, it is deemed desirable to do so.

15 (d) Notwithstanding any other provision of this Section, as
16 security the State Treasurer may, in his discretion, accept a
17 bond, executed by a company authorized to transact the kinds of
18 business described in clause (g) of Section 4 of the Illinois
19 Insurance Code, in an amount not less than the amount of the
20 deposits required by this Section to be secured, payable to the
21 State Treasurer for the benefit of the People of the State of
22 Illinois, in a form that is acceptable to the State Treasurer.

23 (Source: P.A. 95-331, eff. 8-21-07.)

24 (15 ILCS 520/22.5) (from Ch. 130, par. 41a)

25 (For force and effect of certain provisions, see Section 90

1 of P.A. 94-79)

2 Sec. 22.5. Permitted investments. The State Treasurer may,
3 with the approval of the Governor, invest and reinvest any
4 State money in the treasury which is not needed for current
5 expenditures due or about to become due, in obligations of the
6 United States government or its agencies or of National
7 Mortgage Associations established by or under the National
8 Housing Act, 1201 U.S.C. 1701 et seq., or in mortgage
9 participation certificates representing undivided interests in
10 specified, first-lien conventional residential Illinois
11 mortgages that are underwritten, insured, guaranteed, or
12 purchased by the Federal Home Loan Mortgage Corporation or in
13 Affordable Housing Program Trust Fund Bonds or Notes as defined
14 in and issued pursuant to the Illinois Housing Development Act.
15 All such obligations shall be considered as cash and may be
16 delivered over as cash by a State Treasurer to his successor.

17 The State Treasurer may, with the approval of the Governor,
18 purchase any state bonds with any money in the State Treasury
19 that has been set aside and held for the payment of the
20 principal of and interest on the bonds. The bonds shall be
21 considered as cash and may be delivered over as cash by the
22 State Treasurer to his successor.

23 The State Treasurer may, with the approval of the Governor,
24 invest or reinvest any State money in the treasury that is not
25 needed for current expenditure due or about to become due, or
26 any money in the State Treasury that has been set aside and

1 held for the payment of the principal of and the interest on
2 any State bonds, in shares, withdrawable accounts, and
3 investment certificates of savings and building and loan
4 associations, incorporated under the laws of this State or any
5 other state or under the laws of the United States; provided,
6 however, that investments may be made only in those savings and
7 loan or building and loan associations the shares and
8 withdrawable accounts or other forms of investment securities
9 of which are insured by the Federal Deposit Insurance
10 Corporation.

11 The State Treasurer may not invest State money in any
12 savings and loan or building and loan association unless a
13 commitment by the savings and loan (or building and loan)
14 association, executed by the president or chief executive
15 officer of that association, is submitted in the following
16 form:

17 The Savings and Loan (or Building
18 and Loan) Association pledges not to reject arbitrarily
19 mortgage loans for residential properties within any
20 specific part of the community served by the savings and
21 loan (or building and loan) association because of the
22 location of the property. The savings and loan (or building
23 and loan) association also pledges to make loans available
24 on low and moderate income residential property throughout
25 the community within the limits of its legal restrictions
26 and prudent financial practices.

1 The State Treasurer may, with the approval of the Governor,
2 invest or reinvest, ~~at a price not to exceed par,~~ any State
3 money in the treasury that is not needed for current
4 expenditures due or about to become due, or any money in the
5 State Treasury that has been set aside and held for the payment
6 of the principal of and interest on any State bonds, in bonds
7 issued by counties or municipal corporations of the State of
8 Illinois.

9 The State Treasurer may invest or reinvest up to 5% of the
10 College Savings Pool Administrative Trust Fund, the Illinois
11 Public Treasurer Investment Pool (IPTIP) Administrative Trust
12 Fund, and the State Treasurer's Administrative Fund that is not
13 needed for current expenditures due or about to become due, in
14 common or preferred stocks of publicly traded corporations,
15 partnerships, or limited liability companies, organized in the
16 United States, with assets exceeding \$500,000,000 if: (i) the
17 purchases do not exceed 1% of the corporation's or the limited
18 liability company's outstanding common and preferred stock;
19 (ii) no more than 10% of the total funds are invested in any
20 one publicly traded corporation, partnership, or limited
21 liability company; and (iii) the corporation or the limited
22 liability company has not been placed on the list of restricted
23 companies by the Illinois Investment Policy Board under Section
24 1-110.16 of the Illinois Pension Code.

25 The State Treasurer may, with the approval of the Governor,
26 invest or reinvest any State money in the Treasury which is not

1 needed for current expenditure, due or about to become due, or
2 any money in the State Treasury which has been set aside and
3 held for the payment of the principal of and the interest on
4 any State bonds, in participations in loans, the principal of
5 which participation is fully guaranteed by an agency or
6 instrumentality of the United States government; provided,
7 however, that such loan participations are represented by
8 certificates issued only by banks which are incorporated under
9 the laws of this State or any other state or under the laws of
10 the United States, and such banks, but not the loan
11 participation certificates, are insured by the Federal Deposit
12 Insurance Corporation.

13 The State Treasurer may, with the approval of the Governor,
14 invest or reinvest any State money in the Treasury that is not
15 needed for current expenditure, due or about to become due, or
16 any money in the State Treasury that has been set aside and
17 held for the payment of the principal of and the interest on
18 any State bonds, in any of the following:

19 (1) Bonds, notes, certificates of indebtedness,
20 Treasury bills, or other securities now or hereafter issued
21 that are guaranteed by the full faith and credit of the
22 United States of America as to principal and interest.

23 (2) Bonds, notes, debentures, or other similar
24 obligations of the United States of America, its agencies,
25 and instrumentalities.

26 (2.5) Bonds, notes, debentures, or other similar

1 obligations of a foreign government, other than the
2 Republic of the Sudan, that are guaranteed by the full
3 faith and credit of that government as to principal and
4 interest, but only if the foreign government has not
5 defaulted and has met its payment obligations in a timely
6 manner on all similar obligations for a period of at least
7 25 years immediately before the time of acquiring those
8 obligations.

9 (3) Interest-bearing savings accounts,
10 interest-bearing certificates of deposit, interest-bearing
11 time deposits, or any other investments constituting
12 direct obligations of any bank as defined by the Illinois
13 Banking Act.

14 (4) Interest-bearing accounts, certificates of
15 deposit, or any other investments constituting direct
16 obligations of any savings and loan associations
17 incorporated under the laws of this State or any other
18 state or under the laws of the United States.

19 (5) Dividend-bearing share accounts, share certificate
20 accounts, or class of share accounts of a credit union
21 chartered under the laws of this State or the laws of the
22 United States; provided, however, the principal office of
23 the credit union must be located within the State of
24 Illinois.

25 (6) Bankers' acceptances of banks whose senior
26 obligations are rated in the top 2 rating categories by 2

1 national rating agencies and maintain that rating during
2 the term of the investment.

3 (7) Short-term obligations of either corporations or
4 limited liability companies organized in the United States
5 with assets exceeding \$500,000,000 if (i) the obligations
6 are rated at the time of purchase at one of the 3 highest
7 classifications established by at least 2 standard rating
8 services and mature not later than 270 days from the date
9 of purchase, (ii) the purchases do not exceed 10% of the
10 corporation's or the limited liability company's
11 outstanding obligations, (iii) no more than one-third of
12 the public agency's funds are invested in short-term
13 obligations of either corporations or limited liability
14 companies, and (iv) the corporation or the limited
15 liability company has not been placed on the list of
16 restricted companies by the Illinois Investment Policy
17 Board under Section 1-110.16 of the Illinois Pension Code.

18 (7.5) Obligations of either corporations or limited
19 liability companies organized in the United States, that
20 have a significant presence in this State, with assets
21 exceeding \$500,000,000 if: (i) the obligations are rated at
22 the time of purchase at one of the 3 highest
23 classifications established by at least 2 standard rating
24 services and mature more than 270 days, but less than 5
25 years, from the date of purchase; (ii) the purchases do not
26 exceed 10% of the corporation's or the limited liability

1 company's outstanding obligations; (iii) no more than 5% of
2 the public agency's funds are invested in such obligations
3 of corporations or limited liability companies; and (iv)
4 the corporation or the limited liability company has not
5 been placed on the list of restricted companies by the
6 Illinois Investment Policy Board under Section 1-110.16 of
7 the Illinois Pension Code. The authorization of the
8 Treasurer to invest in new obligations under this paragraph
9 shall expire on June 30, 2019.

10 (8) Money market mutual funds registered under the
11 Investment Company Act of 1940, provided that the portfolio
12 of the money market mutual fund is limited to obligations
13 described in this Section and to agreements to repurchase
14 such obligations.

15 (9) The Public Treasurers' Investment Pool created
16 under Section 17 of the State Treasurer Act or in a fund
17 managed, operated, and administered by a bank.

18 (10) Repurchase agreements of government securities
19 having the meaning set out in the Government Securities Act
20 of 1986, as now or hereafter amended or succeeded, subject
21 to the provisions of that Act and the regulations issued
22 thereunder.

23 (11) Investments made in accordance with the
24 Technology Development Act.

25 For purposes of this Section, "agencies" of the United
26 States Government includes:

1 (i) the federal land banks, federal intermediate
2 credit banks, banks for cooperatives, federal farm credit
3 banks, or any other entity authorized to issue debt
4 obligations under the Farm Credit Act of 1971 (12 U.S.C.
5 2001 et seq.) and Acts amendatory thereto;

6 (ii) the federal home loan banks and the federal home
7 loan mortgage corporation;

8 (iii) the Commodity Credit Corporation; and

9 (iv) any other agency created by Act of Congress.

10 The Treasurer may, with the approval of the Governor, lend
11 any securities acquired under this Act. However, securities may
12 be lent under this Section only in accordance with Federal
13 Financial Institution Examination Council guidelines and only
14 if the securities are collateralized at a level sufficient to
15 assure the safety of the securities, taking into account market
16 value fluctuation. The securities may be collateralized by cash
17 or collateral acceptable under Sections 11 and 11.1.

18 (Source: P.A. 99-856, eff. 8-19-16.)

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