



## 94TH GENERAL ASSEMBLY

### State of Illinois

2005 and 2006

HB4737

Introduced 01/12/06, 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.

LRB094 15647 AMC 50853 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:

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

26 (2) Fifty percent or more of its employees are employed  
27 in Illinois.

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

30 "Illinois-based project" means an individual project of a  
31 business that will result in the conduct of business within the  
32 State, the employment of individuals within the State, or the

1 acquisition of real property located within the State.

2 (b) It is the public policy of the State of Illinois to  
3 encourage the pension funds, and any State agency investing  
4 funds on behalf of pension funds, to promote the economy of  
5 Illinois through the use of economic opportunity investments  
6 while managing their assets to the greatest extent feasible  
7 within the bounds of financial and fiduciary prudence.

8 (c) Each pension fund, except pension funds created under  
9 Articles 3 and 4 of this Code, shall submit a report to the  
10 Governor and the General Assembly by September 1 of each year  
11 that identifies the economic opportunity investments made by  
12 the fund, the primary location of the business or project, the  
13 percentage of the fund's assets in economic opportunity  
14 investments, and the actions that the fund has undertaken to  
15 increase the use of economic opportunity investments,  
16 including encouraging other investment managers to make  
17 economic opportunity investments through subcontractors.

18 (d) Pension funds created under Articles 2, 14, 15, 16, and  
19 18 of this Act, and any State agency investing funds on behalf  
20 of those pension funds, must make all reasonable efforts to  
21 invest a minimum of 5% of pension fund assets in economic  
22 opportunity investments. If a pension fund invests less than 5%  
23 of pension fund assets in economic opportunity investments,  
24 then the pension fund must include the reason it could not meet  
25 this minimum in the report required under subsection (c).

26 (e) In making economic opportunity investments, trustees  
27 and fiduciaries must comply with the relevant requirements and  
28 restrictions set forth in Sections 1-109, 1-109.1, 1-109.2,  
29 1-110, and 1-111 of this Code. Economic opportunity investments  
30 that otherwise comply with this Code shall not be deemed  
31 imprudent solely because it is an investment in an Illinois  
32 business or Illinois-based project.

33 (40 ILCS 5/15-167) (from Ch. 108 1/2, par. 15-167)

34 Sec. 15-167. To invest money. To invest the funds of the  
35 system, subject to the requirements and restrictions set forth

1 in Sections 1-108.5, 1-109, 1-109.1, 1-109.2, 1-110, 1-111,  
2 1-114, 1-115, and 15-158.2(d) of this Code and to invest in  
3 real estate acquired by purchase, gift, condemnation or  
4 otherwise, and any office building or buildings existing or to  
5 be constructed thereon, including any additions thereto or  
6 expansions thereof, for the use of the system. The board may  
7 lease surplus space in any of the buildings and use rental  
8 proceeds for operation, maintenance, improving, expanding and  
9 furnishing of the buildings or for any other lawful system  
10 purpose.

11 No bank or savings and loan association shall receive  
12 investment funds as permitted by this Section, unless it has  
13 complied with the requirements established pursuant to Section  
14 6 of "An Act relating to certain investments of public funds by  
15 public agencies", approved July 23, 1943, as now or hereafter  
16 amended. The limitations set forth in such Section 6 shall be  
17 applicable only at the time of investment and shall not require  
18 the liquidation of any investment at any time.

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

22 All investments shall be clearly held and accounted for to  
23 indicate ownership by the board. The board may direct the  
24 registration of securities in its own name or in the name of a  
25 nominee created for the express purpose of registration of  
26 securities by a national or state bank or trust company  
27 authorized to conduct a trust business in the State of  
28 Illinois.

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

32 All additions to assets from income, interest, and  
33 dividends from investments shall be used to pay benefits,  
34 operating and administrative expenses of the system, debt  
35 service, including any redemption premium, on any bonds issued  
36 by the board, expenses incurred or deposits required in

1 connection with such bonds, and such other costs as may be  
2 provided in accordance with this Article.

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

4 Section 99. Effective date. This Act takes effect upon  
5 becoming law.