

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 Sections 1-113.20 and 1A-108.5 and by changing Section 15-167  
6 as follows:

7 (40 ILCS 5/1-113.20 new)

8 Sec. 1-113.20. Investment strategies; explicit and  
9 implicit costs. Every pension fund, retirement system, and  
10 investment board created under this Code, except those whose  
11 investments are restricted by Section 1-113.2 of this Code,  
12 shall instruct the fund's, system's, or board's investment  
13 advisors to utilize investment strategies designed to ensure  
14 that all securities transactions are executed in such a manner  
15 that the total explicit and implicit costs and total proceeds  
16 in every transaction are the most favorable under the  
17 circumstances.

18 (40 ILCS 5/1A-108.5 new)

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

20 (a) For the purposes of this Section:

21 "Economic opportunity investment" means a qualified  
22 investment, managed passively or actively by the pension fund,

1 that promotes economic development within the State of Illinois  
2 by providing financially prudent investment opportunities in  
3 or through the use of (a) Illinois businesses or (b)  
4 Illinois-based projects that promote the economy of the State  
5 or a region of the State, including without limitation  
6 promotion of venture capital programs, coal and other natural  
7 resource development, tourism development, infrastructure  
8 development, real estate development, and job development  
9 within the State of Illinois, while producing a competitive  
10 rate of return commensurate with the risk of investment.

11 "Illinois business" means a business, including an  
12 investment adviser, that is headquartered in Illinois.

13 "Illinois-based project" means an individual project of a  
14 business, including the provision of products and investment  
15 and other services to the pension fund, that will result in the  
16 conduct of business within the State, the employment of  
17 individuals within the State, or the acquisition of real  
18 property located within the State.

19 (b) It is the public policy of the State of Illinois to  
20 encourage the pension funds, and any State entity investing  
21 funds on behalf of pension funds, to promote the economy of  
22 Illinois through the use of economic opportunity investments to  
23 the greatest extent feasible within the bounds of financial and  
24 fiduciary prudence.

25 (c) Each pension fund, except pension funds created under  
26 Articles 3 and 4 of this Code, shall submit a report to the

1 Governor and the General Assembly by September 1 of each year,  
2 beginning in 2009, that identifies the economic opportunity  
3 investments made by the fund, the primary location of the  
4 business or project, the percentage of the fund's assets in  
5 economic opportunity investments, and the actions that the fund  
6 has undertaken to increase the use of economic opportunity  
7 investments.

8 (d) Pension funds created under Articles 2, 14, 15, 16, and  
9 18 of this Act, and any State agency investing funds on behalf  
10 of those pension funds, must make reasonable efforts to invest  
11 in economic opportunity investments.

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

19 (40 ILCS 5/15-167) (from Ch. 108 1/2, par. 15-167)

20 Sec. 15-167. To invest money. To invest the funds of the  
21 system, subject to the requirements and restrictions set forth  
22 in Sections 1A-108.5, 1-109, 1-109.1, 1-109.2, 1-110, 1-111,  
23 1-114, 1-115, and 15-158.2(d) of this Code and to invest in  
24 real estate acquired by purchase, gift, condemnation or  
25 otherwise, and any office building or buildings existing or to

1 be constructed thereon, including any additions thereto or  
2 expansions thereof, for the use of the system. The board may  
3 lease surplus space in any of the buildings and use rental  
4 proceeds for operation, maintenance, improving, expanding and  
5 furnishing of the buildings or for any other lawful system  
6 purpose.

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

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

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

25 Investments shall be carried at cost or at a value  
26 determined in accordance with generally accepted accounting

1 principles and accounting procedures approved by the Board.

2 All additions to assets from income, interest, and  
3 dividends from investments shall be used to pay benefits,  
4 operating and administrative expenses of the system, debt  
5 service, including any redemption premium, on any bonds issued  
6 by the board, expenses incurred or deposits required in  
7 connection with such bonds, and such other costs as may be  
8 provided in accordance with this Article.

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

10 Section 99. Effective date. This Act takes effect upon  
11 becoming law.