

AN ACT concerning public employee benefits.

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

Section 5. The Illinois Pension Code is amended by adding Sections 1-113.20 and 1A-108.5 and by changing Section 15-167 as follows:

(40 ILCS 5/1-113.20 new)

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

(40 ILCS 5/1A-108.5 new)

Sec. 1A-108.5. Economic opportunity investments.

(a) For the purposes of this Section:

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

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

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

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

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

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

Governor and the General Assembly by September 1 of each year, beginning in 2009, 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.

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

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

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

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

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

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

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

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

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

principles and accounting procedures approved by the Board.

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

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

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