



Rep. JoAnn D. Osmond

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LRB098 02662 OMW 40829 a

1 AMENDMENT TO HOUSE BILL 164

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 164 by replacing  
3 everything after the enacting clause with the following:

4 "Section 5. The Public Funds Investment Act is amended by  
5 changing Section 2 as follows:

6 (30 ILCS 235/2) (from Ch. 85, par. 902)

7 Sec. 2. Authorized investments.

8 (a) Any public agency may invest any public funds as  
9 follows:

10 (1) in bonds, notes, certificates of indebtedness,  
11 treasury bills or other securities now or hereafter issued,  
12 which are guaranteed by the full faith and credit of the  
13 United States of America as to principal and interest;

14 (2) in bonds, notes, debentures, or other similar  
15 obligations of the United States of America, its agencies,  
16 and its instrumentalities;

1           (3)     in     interest-bearing     savings     accounts,  
2     interest-bearing     certificates     of     deposit     or  
3     interest-bearing     time     deposits     or     any     other     investments  
4     constituting     direct     obligations     of     any     bank     as     defined     by  
5     the     Illinois     Banking     Act;

6           (4)     in     short     term     obligations     of     corporations  
7     organized     in     the     United     States     with     assets     exceeding  
8     \$500,000,000     if     (i)     such     obligations     are     rated     at     the     time  
9     of     purchase     at     one     of     the     3     highest     classifications  
10    established     by     at     least     2     standard     rating     services     and  
11    which     mature     not     later     than     270     days     from     the     date     of  
12    purchase,     (ii)     such     purchases     do     not     exceed     10%     of     the  
13    corporation's     outstanding     obligations     and     (iii)     no     more  
14    than     one-third     of     the     public     agency's     funds     may     be     invested  
15    in     short     term     obligations     of     corporations;     or

16           (5)     in     money     market     mutual     funds     registered     under     the  
17    Investment     Company     Act     of     1940,     provided     that     the     portfolio  
18    of     any     such     money     market     mutual     fund     is     limited     to  
19    obligations     described     in     paragraph     (1)     or     (2)     of     this  
20    subsection     and     to     agreements     to     repurchase     such  
21    obligations.

22           (a-1)    In     addition     to     any     other     investments     authorized     under  
23    this     Act,     a     municipality, park     district,     forest     preserve  
24    district,     conservation     district,     or     a     county     may     invest     its  
25    public     funds     in     interest     bearing     bonds     of     any     county,     township,  
26    city,     village,     incorporated     town,     municipal     corporation,     or

1 school district, of the State of Illinois, of any other state,  
2 or of any political subdivision or agency of the State of  
3 Illinois or of any other state, whether the interest earned  
4 thereon is taxable or tax-exempt under federal law. The bonds  
5 shall be registered in the name of the municipality, park  
6 district, forest preserve district, conservation district, or  
7 county or held under a custodial agreement at a bank. The bonds  
8 shall be rated at the time of purchase within the 4 highest  
9 general classifications established by a rating service of  
10 nationally recognized expertise in rating bonds of states and  
11 their political subdivisions.

12 (b) Investments may be made only in banks which are insured  
13 by the Federal Deposit Insurance Corporation. Any public agency  
14 may invest any public funds in short term discount obligations  
15 of the Federal National Mortgage Association or in shares or  
16 other forms of securities legally issuable by savings banks or  
17 savings and loan associations incorporated under the laws of  
18 this State or any other state or under the laws of the United  
19 States. Investments may be made only in those savings banks or  
20 savings and loan associations the shares, or investment  
21 certificates of which are insured by the Federal Deposit  
22 Insurance Corporation. Any such securities may be purchased at  
23 the offering or market price thereof at the time of such  
24 purchase. All such securities so purchased shall mature or be  
25 redeemable on a date or dates prior to the time when, in the  
26 judgment of such governing authority, the public funds so

1 invested will be required for expenditure by such public agency  
2 or its governing authority. The expressed judgment of any such  
3 governing authority as to the time when any public funds will  
4 be required for expenditure or be redeemable is final and  
5 conclusive. Any public agency may invest any public funds in  
6 dividend-bearing share accounts, share certificate accounts or  
7 class of share accounts of a credit union chartered under the  
8 laws of this State or the laws of the United States; provided,  
9 however, the principal office of any such credit union must be  
10 located within the State of Illinois. Investments may be made  
11 only in those credit unions the accounts of which are insured  
12 by applicable law.

13 (c) For purposes of this Section, the term "agencies of the  
14 United States of America" includes: (i) the federal land banks,  
15 federal intermediate credit banks, banks for cooperative,  
16 federal farm credit banks, or any other entity authorized to  
17 issue debt obligations under the Farm Credit Act of 1971 (12  
18 U.S.C. 2001 et seq.) and Acts amendatory thereto; (ii) the  
19 federal home loan banks and the federal home loan mortgage  
20 corporation; and (iii) any other agency created by Act of  
21 Congress.

22 (d) Except for pecuniary interests permitted under  
23 subsection (f) of Section 3-14-4 of the Illinois Municipal Code  
24 or under Section 3.2 of the Public Officer Prohibited Practices  
25 Act, no person acting as treasurer or financial officer or who  
26 is employed in any similar capacity by or for a public agency

1 may do any of the following:

2 (1) have any interest, directly or indirectly, in any  
3 investments in which the agency is authorized to invest.

4 (2) have any interest, directly or indirectly, in the  
5 sellers, sponsors, or managers of those investments.

6 (3) receive, in any manner, compensation of any kind  
7 from any investments in which the agency is authorized to  
8 invest.

9 (e) Any public agency may also invest any public funds in a  
10 Public Treasurers' Investment Pool created under Section 17 of  
11 the State Treasurer Act. Any public agency may also invest any  
12 public funds in a fund managed, operated, and administered by a  
13 bank, subsidiary of a bank, or subsidiary of a bank holding  
14 company or use the services of such an entity to hold and  
15 invest or advise regarding the investment of any public funds.

16 (f) To the extent a public agency has custody of funds not  
17 owned by it or another public agency and does not otherwise  
18 have authority to invest such funds, the public agency may  
19 invest such funds as if they were its own. Such funds must be  
20 released to the appropriate person at the earliest reasonable  
21 time, but in no case exceeding 31 days, after the private  
22 person becomes entitled to the receipt of them. All earnings  
23 accruing on any investments or deposits made pursuant to the  
24 provisions of this Act shall be credited to the public agency  
25 by or for which such investments or deposits were made, except  
26 as provided otherwise in Section 4.1 of the State Finance Act

1 or the Local Governmental Tax Collection Act, and except where  
2 by specific statutory provisions such earnings are directed to  
3 be credited to and paid to a particular fund.

4 (g) A public agency may purchase or invest in repurchase  
5 agreements of government securities having the meaning set out  
6 in the Government Securities Act of 1986, as now or hereafter  
7 amended or succeeded, subject to the provisions of said Act and  
8 the regulations issued thereunder. The government securities,  
9 unless registered or inscribed in the name of the public  
10 agency, shall be purchased through banks or trust companies  
11 authorized to do business in the State of Illinois.

12 (h) Except for repurchase agreements of government  
13 securities which are subject to the Government Securities Act  
14 of 1986, as now or hereafter amended or succeeded, no public  
15 agency may purchase or invest in instruments which constitute  
16 repurchase agreements, and no financial institution may enter  
17 into such an agreement with or on behalf of any public agency  
18 unless the instrument and the transaction meet the following  
19 requirements:

20 (1) The securities, unless registered or inscribed in  
21 the name of the public agency, are purchased through banks  
22 or trust companies authorized to do business in the State  
23 of Illinois.

24 (2) An authorized public officer after ascertaining  
25 which firm will give the most favorable rate of interest,  
26 directs the custodial bank to "purchase" specified

1 securities from a designated institution. The "custodial  
2 bank" is the bank or trust company, or agency of  
3 government, which acts for the public agency in connection  
4 with repurchase agreements involving the investment of  
5 funds by the public agency. The State Treasurer may act as  
6 custodial bank for public agencies executing repurchase  
7 agreements. To the extent the Treasurer acts in this  
8 capacity, he is hereby authorized to pass through to such  
9 public agencies any charges assessed by the Federal Reserve  
10 Bank.

11 (3) A custodial bank must be a member bank of the  
12 Federal Reserve System or maintain accounts with member  
13 banks. All transfers of book-entry securities must be  
14 accomplished on a Reserve Bank's computer records through a  
15 member bank of the Federal Reserve System. These securities  
16 must be credited to the public agency on the records of the  
17 custodial bank and the transaction must be confirmed in  
18 writing to the public agency by the custodial bank.

19 (4) Trading partners shall be limited to banks or trust  
20 companies authorized to do business in the State of  
21 Illinois or to registered primary reporting dealers.

22 (5) The security interest must be perfected.

23 (6) The public agency enters into a written master  
24 repurchase agreement which outlines the basic  
25 responsibilities and liabilities of both buyer and seller.

26 (7) Agreements shall be for periods of 330 days or

1 less.

2 (8) The authorized public officer of the public agency  
3 informs the custodial bank in writing of the maturity  
4 details of the repurchase agreement.

5 (9) The custodial bank must take delivery of and  
6 maintain the securities in its custody for the account of  
7 the public agency and confirm the transaction in writing to  
8 the public agency. The Custodial Undertaking shall provide  
9 that the custodian takes possession of the securities  
10 exclusively for the public agency; that the securities are  
11 free of any claims against the trading partner; and any  
12 claims by the custodian are subordinate to the public  
13 agency's claims to rights to those securities.

14 (10) The obligations purchased by a public agency may  
15 only be sold or presented for redemption or payment by the  
16 fiscal agent bank or trust company holding the obligations  
17 upon the written instruction of the public agency or  
18 officer authorized to make such investments.

19 (11) The custodial bank shall be liable to the public  
20 agency for any monetary loss suffered by the public agency  
21 due to the failure of the custodial bank to take and  
22 maintain possession of such securities.

23 (i) Notwithstanding the foregoing restrictions on  
24 investment in instruments constituting repurchase agreements  
25 the Illinois Housing Development Authority may invest in, and  
26 any financial institution with capital of at least \$250,000,000



1 may act as custodian for, instruments that constitute  
2 repurchase agreements, provided that the Illinois Housing  
3 Development Authority, in making each such investment,  
4 complies with the safety and soundness guidelines for engaging  
5 in repurchase transactions applicable to federally insured  
6 banks, savings banks, savings and loan associations or other  
7 depository institutions as set forth in the Federal Financial  
8 Institutions Examination Council Policy Statement Regarding  
9 Repurchase Agreements and any regulations issued, or which may  
10 be issued by the supervisory federal authority pertaining  
11 thereto and any amendments thereto; provided further that the  
12 securities shall be either (i) direct general obligations of,  
13 or obligations the payment of the principal of and/or interest  
14 on which are unconditionally guaranteed by, the United States  
15 of America or (ii) any obligations of any agency, corporation  
16 or subsidiary thereof controlled or supervised by and acting as  
17 an instrumentality of the United States Government pursuant to  
18 authority granted by the Congress of the United States and  
19 provided further that the security interest must be perfected  
20 by either the Illinois Housing Development Authority, its  
21 custodian or its agent receiving possession of the securities  
22 either physically or transferred through a nationally  
23 recognized book entry system.

24 (j) In addition to all other investments authorized under  
25 this Section, a community college district may invest public  
26 funds in any mutual funds that invest primarily in corporate

1 investment grade or global government short term bonds.  
2 Purchases of mutual funds that invest primarily in global  
3 government short term bonds shall be limited to funds with  
4 assets of at least \$100 million and that are rated at the time  
5 of purchase as one of the 10 highest classifications  
6 established by a recognized rating service. The investments  
7 shall be subject to approval by the local community college  
8 board of trustees. Each community college board of trustees  
9 shall develop a policy regarding the percentage of the  
10 college's investment portfolio that can be invested in such  
11 funds.

12 Nothing in this Section shall be construed to authorize an  
13 intergovernmental risk management entity to accept the deposit  
14 of public funds except for risk management purposes.

15 (Source: P.A. 96-741, eff. 8-25-09; 97-129, eff. 7-14-11.)

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