



Rep. Mary E. Flowers

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1 AMENDMENT TO HOUSE BILL 277

2 AMENDMENT NO. _____. Amend House Bill 277 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 2.5 as follows:

6 (30 ILCS 235/2.5)

7 Sec. 2.5. Investment policy.

8 (a) Investment of public funds by a public agency shall be
9 governed by a written investment policy adopted by the public
10 agency. The level of detail and complexity of the investment
11 policy shall be appropriate to the nature of the funds, the
12 purpose for the funds, and the amount of the public funds
13 within the investment portfolio. The policy shall address
14 safety of principal, liquidity of funds, and return on
15 investment and shall require that the investment portfolio be
16 structured in such manner as to provide sufficient liquidity to

1 pay obligations as they come due. In addition, the investment
2 policy shall include or address the following:

3 (1) a listing of authorized investments;

4 (2) a rule, such as the "prudent person rule",
5 establishing the standard of care that must be maintained
6 by the persons investing the public funds;

7 (3) investment guidelines that are appropriate to the
8 nature of the funds, the purpose for the funds, and the
9 amount of the public funds within the investment portfolio;

10 (4) a policy regarding diversification of the
11 investment portfolio that is appropriate to the nature of
12 the funds, the purpose for the funds, and the amount of the
13 public funds within the investment portfolio;

14 (5) guidelines regarding collateral requirements, if
15 any, for the deposit of public funds in a financial
16 institution made pursuant to this Act, and, if applicable,
17 guidelines for contractual arrangements for the custody
18 and safekeeping of that collateral;

19 (6) a policy regarding the establishment of a system of
20 internal controls and written operational procedures
21 designed to prevent losses of funds that might arise from
22 fraud, employee error, misrepresentation by third parties,
23 or imprudent actions by employees of the entity;

24 (7) identification of the chief investment officer who
25 is responsible for establishing the internal controls and
26 written procedures for the operation of the investment

1 program;

2 (8) performance measures that are appropriate to the
3 nature of the funds, the purpose for the funds, and the
4 amount of the public funds within the investment portfolio;

5 (9) a policy regarding appropriate periodic review of
6 the investment portfolio, its effectiveness in meeting the
7 public agency's needs for safety, liquidity, rate of
8 return, and diversification, and its general performance;

9 (10) a policy establishing at least quarterly written
10 reports of investment activities by the public agency's
11 chief financial officer for submission to the governing
12 body and chief executive officer of the public agency. The
13 reports shall include information regarding securities in
14 the portfolio by class or type, book value, income earned,
15 and market value as of the report date;

16 (11) a policy regarding the selection of investment
17 advisors, money managers, and financial institutions; ~~and~~

18 (12) a policy regarding ethics and conflicts of
19 interest; and -

20 (13) in the case of the State, a policy requiring the
21 investment of (i) at least 10% of all public funds that are
22 in the State's custody with insured depository
23 institutions having an outstanding record of meeting
24 community credit needs, as defined in the federal Community
25 Reinvestment Act of 1977, and (ii) at least another 10% of
26 all public funds that are in the State's custody with

1 insured depository institutions having a satisfactory
2 record of meeting community credit needs, as defined in the
3 federal Community Reinvestment Act of 1977.

4 (b) For purposes of the State or a county, the investment
5 policy shall be adopted by the elected treasurer and presented
6 to the chief executive officer and the governing body. For
7 purposes of any other public agency, the investment policy
8 shall be adopted by the governing body of the public agency.

9 (c) The investment policy shall be made available to the
10 public at the main administrative office of the public agency.

11 (d) The written investment policy required under this
12 Section shall be developed and implemented by January 1, 2000.
13 (Source: P.A. 90-688, eff. 7-31-98.)".