



Illinois Department of Insurance

Public Pension Division

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Governor

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Director

TO: Pension Funds established under Articles 3 and 4 of the Illinois Pension Code

From: Illinois Department of Insurance, Public Pension Division

Date: February 08, 2024

RE: **Use of Money Market Mutual Funds by Article 3 & 4 Funds**

The Department of Insurance has been approached as to whether and under what circumstances member funds can maintain a money market mutual fund according to the Illinois Pension Code ("Code").

Article 3 and 4 funds are permitted to retain an account for the purposes of benefit payments and other reasonable expenses after the end of the transition period. 40 ILCS 5/3-132.1 and 40 ILCS 5/4-123.2. The Department has determined that a money market mutual fund is such a permitted account. However, money market mutual funds can only be utilized to make benefit payments and other reasonable expenses. Given that Article 3 and 4 funds are able to quickly access money from the consolidated funds, the amount of money any Article 3 and 4 fund may keep in a retained account (including money market mutual funds) is limited. Amounts not imminently needed to make benefit payments or cover reasonable imminent expenses must be maintained in the consolidated fund and may not be maintained in a money market mutual fund.

The following steps will ensure that Article 3 and 4 funds are in compliance with 40 ILCS 5/3-132.1 and 40 ILCS 5/4-123.2 when utilizing these types of accounts:

1. Communicate with the Consolidated Funds about local fund liquidity needs and defer to current guidance, best practices, or other regulations provided by the respective Consolidated Fund concerning cash management.
2. Consider a local bank or financial institution to provide such accounts and related financial services. Any fees associated with such accounts should be minimal and in line with market rates for cash-equivalent accounts. Investment or brokerage fees generally are not appropriate.

If you have any questions, please contact the Public Pension Division of the Department of Insurance at: doi.pension@illinois.gov.