

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 changing
5 Section 1-110.16 as follows:

6 (40 ILCS 5/1-110.16)

7 Sec. 1-110.16. Transactions prohibited by retirement
8 systems; companies that boycott Israel, companies that
9 contract to build a border wall, Iran-restricted companies, and
10 Sudan-restricted companies.

11 (a) As used in this Section:

12 "Boycott Israel" means engaging in actions that are
13 politically motivated and are intended to penalize,
14 inflict economic harm on, or otherwise limit commercial
15 relations with the State of Israel or companies based in
16 the State of Israel or in territories controlled by the
17 State of Israel.

18 "Company" means any sole proprietorship, organization,
19 association, corporation, partnership, joint venture,
20 limited partnership, limited liability partnership,
21 limited liability company, or other entity or business
22 association, including all wholly owned subsidiaries,
23 majority-owned subsidiaries, parent companies, or

1 affiliates of those entities or business associations,
2 that exist for the purpose of making profit.

3 "Contract to build a border wall" means entering into a
4 contract with the federal government for construction
5 pursuant to Section 4 of Executive Order 13767 of the
6 President of the United States.

7 "Illinois Investment Policy Board" means the board
8 established under subsection (b) of this Section.

9 "Direct holdings" in a company means all publicly
10 traded securities of that company that are held directly by
11 the retirement system in an actively managed account or
12 fund in which the retirement system owns all shares or
13 interests.

14 "Indirect holdings" in a company means all securities
15 of that company that are held in an account or fund, such
16 as a mutual fund, managed by one or more persons not
17 employed by the retirement system, in which the retirement
18 system owns shares or interests together with other
19 investors not subject to the provisions of this Section or
20 that are held in an index fund.

21 "Iran-restricted company" means a company that meets
22 the qualifications under Section 1-110.15 of this Code.

23 "Private market fund" means any private equity fund,
24 private equity funds of funds, venture capital fund, hedge
25 fund, hedge fund of funds, real estate fund, or other
26 investment vehicle that is not publicly traded.

1 "Restricted companies" means companies that boycott
2 Israel, companies that contract to build a border wall,
3 Iran-restricted companies, and Sudan-restricted companies.

4 "Retirement system" means a retirement system
5 established under Article 2, 14, 15, 16, or 18 of this Code
6 or the Illinois State Board of Investment.

7 "Sudan-restricted company" means a company that meets
8 the qualifications under Section 1-110.6 of this Code.

9 (b) There shall be established an Illinois Investment
10 Policy Board. The Illinois Investment Policy Board shall
11 consist of 7 members. Each board of a pension fund or
12 investment board created under Article 15, 16, or 22A of this
13 Code shall appoint one member, and the Governor shall appoint 4
14 members.

15 (c) Notwithstanding any provision of law to the contrary,
16 beginning January 1, 2016, Sections 110.15 and 1-110.6 of this
17 Code shall be administered in accordance with this Section.

18 (d) By April 1, 2016, the Illinois Investment Policy Board
19 shall make its best efforts to identify all Iran-restricted
20 companies, Sudan-restricted companies, and companies that
21 boycott Israel and assemble those identified companies into a
22 list of restricted companies, to be distributed to each
23 retirement system.

24 These efforts shall include the following, as appropriate
25 in the Illinois Investment Policy Board's judgment:

26 (1) reviewing and relying on publicly available

1 information regarding Iran-restricted companies,
2 Sudan-restricted companies, and companies that boycott
3 Israel, including information provided by nonprofit
4 organizations, research firms, and government entities;

5 (2) contacting asset managers contracted by the
6 retirement systems that invest in Iran-restricted
7 companies, Sudan-restricted companies, and companies that
8 boycott Israel;

9 (3) contacting other institutional investors that have
10 divested from or engaged with Iran-restricted companies,
11 Sudan-restricted companies, and companies that boycott
12 Israel; and

13 (4) retaining an independent research firm to identify
14 Iran-restricted companies, Sudan-restricted companies, and
15 companies that boycott Israel.

16 By July 1, 2017, the Illinois Investment Policy Board shall
17 make its best efforts to identify all companies that contract
18 to build a border wall and include those companies in the list
19 of restricted companies distributed to each retirement system.
20 These efforts shall include the following, as appropriate in
21 the Illinois Investment Policy Board's judgment:

22 (1) reviewing and relying on publicly available
23 information regarding companies that contract to build a
24 border wall, including information provided by nonprofit
25 organizations, research firms, and government entities;

26 (2) contacting asset managers contracted by the

1 retirement systems that invest in companies that contract
2 to build a border wall;

3 (3) contacting other institutional investors that have
4 divested from or engaged with companies that contract to
5 build a border wall; and

6 (4) retaining an independent research firm to identify
7 companies that contract to build a border wall.

8 The Illinois Investment Policy Board shall review the list
9 of restricted companies on a quarterly basis based on evolving
10 information from, among other sources, those listed in this
11 subsection (d) and distribute any updates to the list of
12 restricted companies to the retirement systems.

13 (e) The Illinois Investment Policy Board shall adhere to
14 the following procedures for companies on the list of
15 restricted companies:

16 (1) For each company newly identified in subsection
17 (d), the Illinois Investment Policy Board shall send a
18 written notice informing the company of its status and that
19 it may become subject to divestment by the retirement
20 systems.

21 (2) If, following the Illinois Investment Policy
22 Board's engagement pursuant to this subsection (e) with a
23 restricted company, that company ceases activity that
24 designates the company to be an Iran-restricted company, a
25 Sudan-restricted company, or a company that boycotts
26 Israel, the company shall be removed from the list of

1 restricted companies and the provisions of this Section
2 shall cease to apply to it unless it resumes such
3 activities.

4 (f) The retirement system shall adhere to the following
5 procedures for companies on the list of restricted companies:

6 (1) The retirement system shall identify those
7 companies on the list of restricted companies in which the
8 retirement system owns direct holdings and indirect
9 holdings.

10 (2) The retirement system shall instruct its
11 investment advisors to sell, redeem, divest, or withdraw
12 all direct holdings of restricted companies from the
13 retirement system's assets under management in an orderly
14 and fiduciarily responsible manner within 12 months after
15 the company's most recent appearance on the list of
16 restricted companies.

17 (3) The retirement system may not acquire securities of
18 restricted companies.

19 (4) The provisions of this subsection (f) do not apply
20 to the retirement system's indirect holdings or private
21 market funds. The Illinois Investment Policy Board shall
22 submit letters to the managers of those investment funds
23 containing restricted companies requesting that they
24 consider removing the companies from the fund or create a
25 similar actively managed fund having indirect holdings
26 devoid of the companies. If the manager creates a similar

1 fund, the retirement system shall replace all applicable
2 investments with investments in the similar fund in an
3 expedited timeframe consistent with prudent investing
4 standards.

5 (g) Upon request, and at least annually, each retirement
6 system shall provide the Illinois Investment Policy Board with
7 information regarding investments sold, redeemed, divested, or
8 withdrawn in compliance with this Section.

9 (h) Notwithstanding any provision of this Section to the
10 contrary, a retirement system may cease divesting from
11 companies pursuant to subsection (f) if clear and convincing
12 evidence shows that the value of investments in such companies
13 becomes equal to or less than 0.5% of the market value of all
14 assets under management by the retirement system. For any
15 cessation of divestment authorized by this subsection (h), the
16 retirement system shall provide a written notice to the
17 Illinois Investment Policy Board in advance of the cessation of
18 divestment, setting forth the reasons and justification,
19 supported by clear and convincing evidence, for its decision to
20 cease divestment under subsection (f).

21 (i) The cost associated with the activities of the Illinois
22 Investment Policy Board shall be borne by the boards of each
23 pension fund or investment board created under Article 15, 16,
24 or 22A of this Code.

25 (j) With respect to actions taken in compliance with this
26 Section, including all good-faith determinations regarding

1 companies as required by this Section, the retirement system
2 and Illinois Investment Policy Board are exempt from any
3 conflicting statutory or common law obligations, including any
4 fiduciary duties under this Article and any obligations with
5 respect to choice of asset managers, investment funds, or
6 investments for the retirement system's securities portfolios.

7 (k) It is not the intent of the General Assembly in
8 enacting Public Act 99-128 ~~this amendatory Act of the 99th~~
9 ~~General Assembly~~ to cause divestiture from any company based in
10 the United States of America. The Illinois Investment Policy
11 Board shall consider this intent when developing or reviewing
12 the list of restricted companies.

13 (l) If any provision of Public Act 99-128 or this
14 amendatory Act of the 100th General Assembly ~~this amendatory~~
15 ~~Act of the 99th General Assembly~~ or its application to any
16 person or circumstance is held invalid, the invalidity of that
17 provision or application does not affect other provisions or
18 applications of Public Act 99-128 or this amendatory Act of the
19 100th General Assembly ~~this amendatory Act of the 99th General~~
20 ~~Assembly~~ that can be given effect without the invalid provision
21 or application.

22 (Source: P.A. 99-128, eff. 7-23-15.)

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