

# HB2723



## 104TH GENERAL ASSEMBLY

State of Illinois

2025 and 2026

HB2723

Introduced 2/6/2025, by Rep. Abdelnasser Rashid

### SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-110.16

Amends the General Provisions Article of the Illinois Pension Code. Removes provisions requiring the Illinois Investment Policy Board to include companies that boycott Israel in its list of restricted companies. Makes conforming changes. Effective immediately.

LRB104 06363 RPS 16399 b

A BILL FOR

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  
5 changing 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,~~ for-profit companies  
9 that contract to shelter migrant children, Iran-restricted  
10 companies, Sudan-restricted companies, expatriated entities,  
11 companies that are domiciled or have their principal place of  
12 business in Russia or Belarus, and companies that are subject  
13 to Russian Harmful Foreign Activities Sanctions.

14 (a) As used in this Section:

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

21 "Company" means any sole proprietorship, organization,  
22 association, corporation, partnership, joint venture,  
23 limited partnership, limited liability partnership,

1 limited liability company, or other entity or business  
2 association, including all wholly owned subsidiaries,  
3 majority-owned subsidiaries, parent companies, or  
4 affiliates of those entities or business associations,  
5 that exist for the purpose of making profit.

6 "Company that is subject to Russian Harmful Foreign  
7 Activities Sanctions" means a company that is subject to  
8 sanctions under the Russian Harmful Foreign Activities  
9 Sanctions Regulations (31 CFR Part 587), any Presidential  
10 Executive Order imposing sanctions against Russia, or any  
11 federal directive issued pursuant to any such Executive  
12 Order.

13 "Contract to shelter migrant children" means entering  
14 into a contract with the federal government to shelter  
15 migrant children under the federal Unaccompanied Alien  
16 Children Program or a substantially similar federal  
17 program.

18 "Direct holdings" in a company means all publicly  
19 traded securities of that company that are held directly  
20 by the retirement system in an actively managed account or  
21 fund in which the retirement system owns all shares or  
22 interests.

23 "Expatriated entity" has the meaning ascribed to it in  
24 Section 1-15.120 of the Illinois Procurement Code.

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

1 "Indirect holdings" in a company means all securities  
2 of that company that are held in an account or fund, such  
3 as a mutual fund, managed by one or more persons not  
4 employed by the retirement system, in which the retirement  
5 system owns shares or interests together with other  
6 investors not subject to the provisions of this Section or  
7 that are held in an index fund.

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

10 "Private market fund" means any private equity fund,  
11 private equity funds of funds, venture capital fund, hedge  
12 fund, hedge fund of funds, real estate fund, or other  
13 investment vehicle that is not publicly traded.

14 "Restricted companies" means ~~companies that boycott~~  
15 ~~Israel,~~ for-profit companies that contract to shelter  
16 migrant children, Iran-restricted companies,  
17 Sudan-restricted companies, expatriated entities,  
18 companies that are domiciled or have their principal place  
19 of business in Russia or Belarus, and companies that are  
20 subject to Russian Harmful Foreign Activities Sanctions.

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

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

26 (b) There shall be established an Illinois Investment

1 Policy Board. The Illinois Investment Policy Board shall  
2 consist of 7 members. Each board of a pension fund or  
3 investment board created under Article 15, 16, or 22A of this  
4 Code shall appoint one member, and the Governor shall appoint  
5 4 members. The Governor shall designate one member of the  
6 Board as the Chairperson.

7 (b-5) The term of office of each member appointed by the  
8 Governor, who is serving on the Board on June 30, 2022, is  
9 abolished on that date. The terms of office of members  
10 appointed by the Governor after June 30, 2022 shall be as  
11 follows: 2 initial members shall be appointed for terms of 2  
12 years, and 2 initial members shall be appointed for terms of 4  
13 years. Thereafter, the members appointed by the Governor shall  
14 hold office for 4 years, except that any member chosen to fill  
15 a vacancy occurring otherwise than by expiration of a term  
16 shall be appointed only for the unexpired term of the member  
17 whom he or she shall succeed. Board members may be  
18 reappointed. The Governor may remove a Governor's appointee to  
19 the Board for incompetence, neglect of duty, malfeasance, or  
20 inability to serve.

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

25 (d) By April 1, 2016, the Illinois Investment Policy Board  
26 shall make its best efforts to identify all Iran-restricted

1 companies and 7 Sudan-restricted companies,~~and companies that~~  
2 ~~boycott Israel~~ and assemble those identified companies into a  
3 list of restricted companies, to be distributed to each  
4 retirement system.

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

7 (1) reviewing and relying on publicly available  
8 information regarding Iran-restricted companies and 7  
9 Sudan-restricted companies, ~~and companies that boycott~~  
10 ~~Israel~~, including information provided by nonprofit  
11 organizations, research firms, and government entities;

12 (2) contacting asset managers contracted by the  
13 retirement systems that invest in Iran-restricted  
14 companies and 7 Sudan-restricted companies,~~and companies~~  
15 ~~that boycott Israel~~;

16 (3) contacting other institutional investors that have  
17 divested from or engaged with Iran-restricted companies  
18 and 7 Sudan-restricted companies,~~and companies that~~  
19 ~~boycott Israel~~; and

20 (4) retaining an independent research firm to identify  
21 Iran-restricted companies and 7 Sudan-restricted  
22 companies,~~and companies that boycott Israel~~.

23 The Illinois Investment Policy Board shall review the list  
24 of restricted companies on a quarterly basis based on evolving  
25 information from, among other sources, those listed in this  
26 subsection (d) and distribute any updates to the list of

1 restricted companies to the retirement systems and the State  
2 Treasurer.

3 By April 1, 2018, the Illinois Investment Policy Board  
4 shall make its best efforts to identify all expatriated  
5 entities and include those companies in the list of restricted  
6 companies distributed to each retirement system and the State  
7 Treasurer. These efforts shall include the following, as  
8 appropriate in the Illinois Investment Policy Board's  
9 judgment:

10 (1) reviewing and relying on publicly available  
11 information regarding expatriated entities, including  
12 information provided by nonprofit organizations, research  
13 firms, and government entities;

14 (2) contacting asset managers contracted by the  
15 retirement systems that invest in expatriated entities;

16 (3) contacting other institutional investors that have  
17 divested from or engaged with expatriated entities; and

18 (4) retaining an independent research firm to identify  
19 expatriated entities.

20 By July 1, 2022, the Illinois Investment Policy Board  
21 shall make its best efforts to identify all for-profit  
22 companies that contract to shelter migrant children and  
23 include those companies in the list of restricted companies  
24 distributed to each retirement system. These efforts shall  
25 include the following, as appropriate in the Illinois  
26 Investment Policy Board's judgment:

1           (1) reviewing and relying on publicly available  
2 information regarding for-profit companies that contract  
3 to shelter migrant children, including information  
4 provided by nonprofit organizations, research firms, and  
5 government entities;

6           (2) contacting asset managers contracted by the  
7 retirement systems that invest in for-profit companies  
8 that contract to shelter migrant children;

9           (3) contacting other institutional investors that have  
10 divested from or engaged with for-profit companies that  
11 contract to shelter migrant children; and

12           (4) retaining an independent research firm to identify  
13 for-profit companies that contract to shelter migrant  
14 children.

15           No later than 6 months after the effective date of this  
16 amendatory Act of the 102nd General Assembly, the Illinois  
17 Investment Policy Board shall make its best efforts to  
18 identify all companies that are domiciled or have their  
19 principal place of business in Russia or Belarus and companies  
20 that are subject to Russian Harmful Foreign Activities  
21 Sanctions and include those companies in the list of  
22 restricted companies distributed to each retirement system.  
23 These efforts shall include the following, as appropriate in  
24 the Illinois Investment Policy Board's judgment:

25           (1) reviewing and relying on publicly available  
26 information regarding companies that are domiciled or have

1 their principal place of business in Russia or Belarus and  
2 companies that are subject to Russian Harmful Foreign  
3 Activities Sanctions, including information provided by  
4 nonprofit organizations, research firms, and government  
5 entities;

6 (2) contacting asset managers contracted by the  
7 retirement systems that invest in companies that are  
8 domiciled or have their principal place of business in  
9 Russia or Belarus and companies that are subject to  
10 Russian Harmful Foreign Activities Sanctions;

11 (3) contacting other institutional investors that have  
12 divested from or engaged with companies that are domiciled  
13 or have their principal place of business in Russia or  
14 Belarus and companies that are subject to Russian Harmful  
15 Foreign Activities Sanctions; and

16 (4) retaining an independent research firm to identify  
17 companies that are domiciled or have their principal place  
18 of business in Russia or Belarus and companies that are  
19 subject to Russian Harmful Foreign Activities Sanctions.

20 (e) The Illinois Investment Policy Board shall adhere to  
21 the following procedures for companies on the list of  
22 restricted companies:

23 (1) For each company newly identified in subsection  
24 (d), the Illinois Investment Policy Board, unless it  
25 determines by an affirmative vote that it is unfeasible,  
26 shall send a written notice informing the company of its

1 status and that it may become subject to divestment or  
2 shareholder activism by the retirement systems.

3 (2) If, following the Illinois Investment Policy  
4 Board's engagement pursuant to this subsection (e) with a  
5 restricted company, that company ceases activity that  
6 designates the company to be an Iran-restricted company, a  
7 Sudan-restricted company, ~~a company that boycotts Israel,~~  
8 an expatriated entity, or a for-profit company that  
9 contracts to shelter migrant children, the company shall  
10 be removed from the list of restricted companies and the  
11 provisions of this Section shall cease to apply to it  
12 unless it resumes such activities.

13 (3) For a company that is domiciled or has its  
14 principal place of business in Russia or Belarus, if,  
15 following the Illinois Investment Policy Board's  
16 engagement pursuant to this subsection (e), that company  
17 is no longer domiciled or has its principal place of  
18 business in Russia or Belarus, the company shall be  
19 removed from the list of restricted companies and the  
20 provisions of this Section shall cease to apply to it  
21 unless it becomes domiciled or has its principal place of  
22 business in Russia or Belarus.

23 (4) For a company that is subject to Russian Harmful  
24 Foreign Activities Sanctions, if, following the Illinois  
25 Investment Policy Board's engagement pursuant to this  
26 subsection (e), that company is no longer subject to

1 Russian Harmful Foreign Activities Sanctions, the company  
2 shall be removed from the list of restricted companies and  
3 the provisions of this Section shall cease to apply to it  
4 unless it becomes subject to Russian Harmful Foreign  
5 Activities Sanctions.

6 (f) Except as provided in subsection (f-1) of this Section  
7 the retirement system shall adhere to the following procedures  
8 for companies on the list of restricted companies:

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

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

20 (3) The retirement system may not acquire securities  
21 of restricted companies.

22 (4) The provisions of this subsection (f) do not apply  
23 to the retirement system's indirect holdings or private  
24 market funds. The Illinois Investment Policy Board shall  
25 submit letters to the managers of those investment funds  
26 containing restricted companies requesting that they

1 consider removing the companies from the fund or create a  
2 similar actively managed fund having indirect holdings  
3 devoid of the companies. If the manager creates a similar  
4 fund, the retirement system shall replace all applicable  
5 investments with investments in the similar fund in an  
6 expedited timeframe consistent with prudent investing  
7 standards.

8 (f-1) The retirement system shall adhere to the following  
9 procedures for restricted companies that are expatriated  
10 entities or for-profit companies that contract to shelter  
11 migrant children:

12 (1) To the extent that the retirement system believes  
13 that shareholder activism would be more impactful than  
14 divestment, the retirement system shall have the authority  
15 to engage with a restricted company prior to divesting.

16 (2) Subject to any applicable State or Federal laws,  
17 methods of shareholder activism utilized by the retirement  
18 system may include, but are not limited to, bringing  
19 shareholder resolutions and proxy voting on shareholder  
20 resolutions.

21 (3) The retirement system shall report on its  
22 shareholder activism and the outcome of such efforts to  
23 the Illinois Investment Policy Board by April 1 of each  
24 year.

25 (4) If the engagement efforts of the retirement system  
26 are unsuccessful, then it shall adhere to the procedures

1 under subsection (f) of this Section.

2 (f-5) Beginning on the effective date of this amendatory  
3 Act of the 102nd General Assembly, no retirement system shall  
4 invest moneys in Russian or Belarusian sovereign debt, Russian  
5 or Belarusian government-backed securities, any investment  
6 instrument issued by an entity that is domiciled or has its  
7 principal place of business in Russia or Belarus, or any  
8 investment instrument issued by a company that is subject to  
9 Russian Harmful Foreign Activities Sanctions, and no  
10 retirement system shall invest or deposit State moneys in any  
11 bank that is domiciled or has its principal place of business  
12 in Russia or Belarus. As soon as practicable after the  
13 effective date of this amendatory Act of the 102nd General  
14 Assembly, each retirement system shall instruct its investment  
15 advisors to sell, redeem, divest, or withdraw all direct  
16 holdings of Russian or Belarusian sovereign debt and direct  
17 holdings of Russian or Belarusian government-backed securities  
18 from the retirement system's assets under management in an  
19 orderly and fiduciarily responsible manner.

20 Notwithstanding any provision of this Section to the  
21 contrary, a retirement system may cease divestment pursuant to  
22 this subsection (f-5) if clear and convincing evidence shows  
23 that the value of investments in such Russian or Belarusian  
24 sovereign debt and Russian or Belarusian government-backed  
25 securities becomes equal to or less than 0.05% of the market  
26 value of all assets under management by the retirement system.

1 For any cessation of divestment authorized by this subsection  
2 (f-5), the retirement system shall provide a written notice to  
3 the Illinois Investment Policy Board in advance of the  
4 cessation of divestment, setting forth the reasons and  
5 justification, supported by clear and convincing evidence, for  
6 its decision to cease divestment under this subsection (f-5).

7 The provisions of this subsection (f-5) do not apply to  
8 the retirement system's indirect holdings or private market  
9 funds.

10 (g) Upon request, and by April 1 of each year, each  
11 retirement system shall provide the Illinois Investment Policy  
12 Board with information regarding investments sold, redeemed,  
13 divested, or withdrawn in compliance with this Section.

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

26 (i) The cost associated with the activities of the

1 Illinois Investment Policy Board shall be borne by the boards  
2 of each pension fund or investment board created under Article  
3 15, 16, or 22A of this Code.

4 (j) With respect to actions taken in compliance with this  
5 Section, including all good-faith determinations regarding  
6 companies as required by this Section, the retirement system  
7 and Illinois Investment Policy Board are exempt from any  
8 conflicting statutory or common law obligations, including any  
9 fiduciary duties under this Article and any obligations with  
10 respect to choice of asset managers, investment funds, or  
11 investments for the retirement system's securities portfolios.

12 (k) It is not the intent of the General Assembly in  
13 enacting this amendatory Act of the 99th General Assembly to  
14 cause divestiture from any company based in the United States  
15 of America. The Illinois Investment Policy Board shall  
16 consider this intent when developing or reviewing the list of  
17 restricted companies.

18 (l) If any provision of this amendatory Act of the 99th  
19 General Assembly or its application to any person or  
20 circumstance is held invalid, the invalidity of that provision  
21 or application does not affect other provisions or  
22 applications of this amendatory Act of the 99th General  
23 Assembly that can be given effect without the invalid  
24 provision or application.

25 If any provision of Public Act 100-551 or its application  
26 to any person or circumstance is held invalid, the invalidity

1 of that provision or application does not affect other  
2 provisions or applications of Public Act 100-551 that can be  
3 given effect without the invalid provision or application.

4 If any provision of Public Act 102-118 or its application  
5 to any person or circumstance is held invalid, the invalidity  
6 of that provision or application does not affect other  
7 provisions or applications of Public Act 102-118 that can be  
8 given effect without the invalid provision or application.

9 If any provision of this amendatory Act of the 102nd  
10 General Assembly or its application to any person or  
11 circumstance is held invalid, the invalidity of that provision  
12 or application does not affect other provisions or  
13 applications of this amendatory Act of the 102nd General  
14 Assembly that can be given effect without the invalid  
15 provision or application.

16 (Source: P.A. 102-118, eff. 7-23-21; 102-699, eff. 4-19-22;  
17 102-1108, eff. 12-21-22.)

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