



## 104TH GENERAL ASSEMBLY

### State of Illinois

2025 and 2026

SB3342

Introduced 2/4/2026, by Sen. Graciela Guzmán

#### SYNOPSIS AS INTRODUCED:

30 ILCS 235/2.4 new  
40 ILCS 5/1-110.16

Amends the General Provisions Article of the Illinois Pension Code. Requires the Illinois Investment Policy Board to make its best efforts to identify all for-profit companies that contract to shelter incarcerated or detained persons and to include those companies in the list of restricted companies for purposes of investment distributed to each retirement system and the Illinois State Board of Investment. Provides that an exception to divestment requirements for investments that are equal to or less than 0.5% of the market value of all assets under management by the retirement does not apply to investments in for-profit companies that contract to shelter incarcerated or detained persons. Makes conforming changes. Amends the Public Funds Investment Act. Provides that a municipality with a population of 500,000 or more or a county with a population of 3,000,000 or more shall not invest public funds in an investment instrument issued by for-profit companies that contract to shelter incarcerated or detained persons. Requires such a municipality or county to instruct its investment advisors to sell, redeem, divest, or withdraw all holdings of a for-profit company that enters into a contract to shelter incarcerated or detained persons from the local government's assets under management in an orderly and fiduciarily responsible manner within 12 months after the company's most recent appearance on the list of restricted companies published by the Illinois Investment Policy Board. Effective immediately.

LRB104 19095 RPS 32540 b

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

A BILL FOR

1 AN ACT concerning government.

2 **Be it enacted by the People of the State of Illinois,**  
3 **represented in the General Assembly:**

4 Section 5. The Public Funds Investment Act is amended by  
5 adding Section 2.4 as follows:

6 (30 ILCS 235/2.4 new)

7 Sec. 2.4. Transactions with for-profit companies that  
8 contract to shelter incarcerated or detained persons  
9 prohibited.

10 (a) In this Section:

11 "Contract to shelter incarcerated or detained persons" has  
12 the meaning given to that term in subsection (a) of Section  
13 1-110.16 of the Illinois Pension Code.

14 "Local government" means a municipality with a population  
15 of 500,000 or more or a county with a population of 3,000,000  
16 or more.

17 (b) Notwithstanding any provision of law to the contrary,  
18 a local government shall not invest public funds in any  
19 investment instrument issued by a for-profit company that  
20 contracts to shelter incarcerated or detained persons.

21 (c) No later than 6 months after the effective date of this  
22 amendatory Act of the 104th General Assembly, a local  
23 government shall identify those companies in which the local

1 government owns direct holdings and indirect holdings of  
2 for-profit companies that contract to shelter incarcerated or  
3 detained persons that are on the list of restricted companies  
4 published by the Illinois Investment Policy Board under  
5 Section 1-110.16 of the Illinois Pension Code.

6 (d) A local government shall instruct its investment  
7 advisors to sell, redeem, divest, or withdraw all holdings of  
8 a for-profit company that enters into a contract to shelter  
9 incarcerated or detained persons from the local government's  
10 assets under management in an orderly and fiduciarily  
11 responsible manner within 12 months after the company's most  
12 recent appearance on the list of restricted companies  
13 published by the Illinois Investment Policy Board list of  
14 restricted companies under subsection (d) of Section 1-110.16  
15 of the Pension Code.

16 (e) With respect to actions taken in compliance with this  
17 Section, including all good-faith determinations regarding  
18 companies as required by this Section, a local government is  
19 exempt from any conflicting statutory or common law  
20 obligations, including any fiduciary duties under this Act and  
21 any obligations with respect to choice of asset managers,  
22 investment funds, or investments for the local government's  
23 securities portfolios.

24 Section 10. The Illinois Pension Code is amended by  
25 changing Section 1-110.16 as follows:

1 (40 ILCS 5/1-110.16)

2 Sec. 1-110.16. Transactions prohibited by retirement  
3 systems; certain companies ~~that boycott Israel, for profit~~  
4 ~~companies that contract to shelter migrant children,~~  
5 ~~Iran restricted companies, Sudan restricted companies,~~  
6 ~~expatriated entities, companies that are domiciled or have~~  
7 ~~their principal place of business in Russia or Belarus, and~~  
8 ~~companies that are subject to Russian Harmful Foreign~~  
9 ~~Activities Sanctions.~~

10 (a) As used in this Section:

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

17 "Company" means any sole proprietorship, organization,  
18 association, corporation, partnership, joint venture,  
19 limited partnership, limited liability partnership,  
20 limited liability company, or other entity or business  
21 association, including all wholly owned subsidiaries,  
22 majority-owned subsidiaries, parent companies, or  
23 affiliates of those entities or business associations,  
24 that exist for the purpose of making profit.

25 "Company that is subject to Russian Harmful Foreign

1       Activities Sanctions" means a company that is subject to  
2       sanctions under the Russian Harmful Foreign Activities  
3       Sanctions Regulations (31 CFR Part 587), any Presidential  
4       Executive Order imposing sanctions against Russia, or any  
5       federal directive issued pursuant to any such Executive  
6       Order.

7       "Contract to shelter incarcerated or detained persons"  
8       means contracting with a local government, a state  
9       government, or the federal government to shelter  
10      individuals for the provision of services relating to  
11      community correctional supervision, the operation of a  
12      correctional facility, or the incarceration of persons for  
13      violations of local, state, or federal criminal law or to  
14      shelter individuals detained for federal civil immigration  
15      violations under the federal Immigration and Nationality  
16      Act. "Contract to shelter incarcerated or detained  
17      persons" does not include a private contractor or private  
18      vendor under item (1) or (2) of Section 3 of the Private  
19      Correctional Facility Moratorium Act.

20       "Contract to shelter migrant children" means entering  
21       into a contract with the federal government to shelter  
22       migrant children under the federal Unaccompanied Alien  
23       Children Program or a substantially similar federal  
24       program.

25       "Direct holdings" in a company means all publicly  
26       traded securities of that company that are held directly

1 by the retirement system in an actively managed account or  
2 fund in which the retirement system owns all shares or  
3 interests.

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

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

8 "Indirect holdings" in a company means all securities  
9 of that company that are held in an account or fund, such  
10 as a mutual fund, managed by one or more persons not  
11 employed by the retirement system, in which the retirement  
12 system owns shares or interests together with other  
13 investors not subject to the provisions of this Section or  
14 that are held in an index fund.

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

17 "Private market fund" means any private equity fund,  
18 private equity funds of funds, venture capital fund, hedge  
19 fund, hedge fund of funds, real estate fund, or other  
20 investment vehicle that is not publicly traded.

21 "Restricted companies" means companies that boycott  
22 Israel, for-profit companies that contract to shelter  
23 migrant children, for-profit companies that contract to  
24 shelter incarcerated or detained persons, Iran-restricted  
25 companies, Sudan-restricted companies, expatriated  
26 entities, companies that are domiciled or have their

1 principal place of business in Russia or Belarus, and  
2 companies that are subject to Russian Harmful Foreign  
3 Activities Sanctions.

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  
14 4 members. The Governor shall designate one member of the  
15 Board as the Chairperson.

16 (b-5) The term of office of each member appointed by the  
17 Governor, who is serving on the Board on June 30, 2022, is  
18 abolished on that date. The terms of office of members  
19 appointed by the Governor after June 30, 2022 shall be as  
20 follows: 2 initial members shall be appointed for terms of 2  
21 years, and 2 initial members shall be appointed for terms of 4  
22 years. Thereafter, the members appointed by the Governor shall  
23 hold office for 4 years, except that any member chosen to fill  
24 a vacancy occurring otherwise than by expiration of a term  
25 shall be appointed only for the unexpired term of the member  
26 whom he or she shall succeed. Board members may be

1 reappointed. The Governor may remove a Governor's appointee to  
2 the Board for incompetence, neglect of duty, malfeasance, or  
3 inability to serve.

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

8 (d) By April 1, 2016, the Illinois Investment Policy Board  
9 shall make its best efforts to identify all Iran-restricted  
10 companies, Sudan-restricted companies, and companies that  
11 boycott Israel and assemble those identified companies into a  
12 list of restricted companies, to be distributed to each  
13 retirement system.

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

16 (1) reviewing and relying on publicly available  
17 information regarding Iran-restricted companies,  
18 Sudan-restricted companies, and companies that boycott  
19 Israel, including information provided by nonprofit  
20 organizations, research firms, and government entities;

21 (2) contacting asset managers contracted by the  
22 retirement systems that invest in Iran-restricted  
23 companies, Sudan-restricted companies, and companies that  
24 boycott Israel;

25 (3) contacting other institutional investors that have  
26 divested from or engaged with Iran-restricted companies,

1 Sudan-restricted companies, and companies that boycott  
2 Israel; and

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

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

12 By April 1, 2018, the Illinois Investment Policy Board  
13 shall make its best efforts to identify all expatriated  
14 entities and include those companies in the list of restricted  
15 companies distributed to each retirement system and the State  
16 Treasurer. These efforts shall include the following, as  
17 appropriate in the Illinois Investment Policy Board's  
18 judgment:

19 (1) reviewing and relying on publicly available  
20 information regarding expatriated entities, including  
21 information provided by nonprofit organizations, research  
22 firms, and government entities;

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

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

1           (4) retaining an independent research firm to identify  
2           expatriated entities.

3           By July 1, 2022, the Illinois Investment Policy Board  
4           shall make its best efforts to identify all for-profit  
5           companies that contract to shelter migrant children and  
6           include those companies in the list of restricted companies  
7           distributed to each retirement system. These efforts shall  
8           include the following, as appropriate in the Illinois  
9           Investment Policy Board's judgment:

10           (1) reviewing and relying on publicly available  
11           information regarding for-profit companies that contract  
12           to shelter migrant children, including information  
13           provided by nonprofit organizations, research firms, and  
14           government entities;

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

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

21           (4) retaining an independent research firm to identify  
22           for-profit companies that contract to shelter migrant  
23           children.

24           No later than 6 months after the effective date of this  
25           amendatory Act of the 102nd General Assembly, the Illinois  
26           Investment Policy Board shall make its best efforts to

1 identify all companies that are domiciled or have their  
2 principal place of business in Russia or Belarus and companies  
3 that are subject to Russian Harmful Foreign Activities  
4 Sanctions and include those companies in the list of  
5 restricted companies distributed to each retirement system.  
6 These efforts shall include the following, as appropriate in  
7 the Illinois Investment Policy Board's judgment:

8 (1) reviewing and relying on publicly available  
9 information regarding companies that are domiciled or have  
10 their principal place of business in Russia or Belarus and  
11 companies that are subject to Russian Harmful Foreign  
12 Activities Sanctions, including information provided by  
13 nonprofit organizations, research firms, and government  
14 entities;

15 (2) contacting asset managers contracted by the  
16 retirement systems that invest in companies that are  
17 domiciled or have their principal place of business in  
18 Russia or Belarus and companies that are subject to  
19 Russian Harmful Foreign Activities Sanctions;

20 (3) contacting other institutional investors that have  
21 divested from or engaged with companies that are domiciled  
22 or have their principal place of business in Russia or  
23 Belarus and companies that are subject to Russian Harmful  
24 Foreign Activities Sanctions; and

25 (4) retaining an independent research firm to identify  
26 companies that are domiciled or have their principal place

1 of business in Russia or Belarus and companies that are  
2 subject to Russian Harmful Foreign Activities Sanctions.

3 No later than 6 months after the effective date of this  
4 amendatory Act of the 104th General Assembly, the Illinois  
5 Investment Policy Board shall make its best efforts to  
6 identify all for-profit companies that contract to shelter  
7 incarcerated or detained persons and include those companies  
8 in the list of restricted companies distributed to each  
9 retirement system. These efforts shall include the following,  
10 as appropriate in the Illinois Investment Policy Board's  
11 judgment:

12 (1) reviewing and relying on publicly available  
13 information regarding for-profit companies that contract  
14 to shelter incarcerated or detained persons, including  
15 information provided by nonprofit organizations, research  
16 firms, and government entities;

17 (2) contacting asset managers contracted by the  
18 retirement systems that invest in for-profit companies  
19 that contract to shelter incarcerated or detained persons;

20 (3) contacting other institutional investors that have  
21 divested from or engaged with for-profit companies that  
22 contract to shelter incarcerated or detained persons; and

23 (4) retaining an independent research firm to identify  
24 for-profit companies that contract to shelter incarcerated  
25 or detained persons.

26 (e) The Illinois Investment Policy Board shall adhere to

1 the following procedures for companies on the list of  
2 restricted companies:

3 (1) For each company newly identified in subsection  
4 (d), the Illinois Investment Policy Board, unless it  
5 determines by an affirmative vote that it is unfeasible,  
6 shall send a written notice informing the company of its  
7 status and that it may become subject to divestment or  
8 shareholder activism by the retirement systems.

9 (2) If, following the Illinois Investment Policy  
10 Board's engagement pursuant to this subsection (e) with a  
11 restricted company, that company ceases activity that  
12 designates the company to be an Iran-restricted company, a  
13 Sudan-restricted company, a company that boycotts Israel,  
14 an expatriated entity, ~~or~~ a for-profit company that  
15 contracts to shelter migrant children, or a for-profit  
16 company that contracts to shelter incarcerated or detained  
17 persons, the company shall be removed from the list of  
18 restricted companies and the provisions of this Section  
19 shall cease to apply to it unless it resumes such  
20 activities.

21 (3) For a company that is domiciled or has its  
22 principal place of business in Russia or Belarus, if,  
23 following the Illinois Investment Policy Board's  
24 engagement pursuant to this subsection (e), that company  
25 is no longer domiciled or has its principal place of  
26 business in Russia or Belarus, the company shall be

1 removed from the list of restricted companies and the  
2 provisions of this Section shall cease to apply to it  
3 unless it becomes domiciled or has its principal place of  
4 business in Russia or Belarus.

5 (4) For a company that is subject to Russian Harmful  
6 Foreign Activities Sanctions, if, following the Illinois  
7 Investment Policy Board's engagement pursuant to this  
8 subsection (e), that company is no longer subject to  
9 Russian Harmful Foreign Activities Sanctions, the company  
10 shall be removed from the list of restricted companies and  
11 the provisions of this Section shall cease to apply to it  
12 unless it becomes subject to Russian Harmful Foreign  
13 Activities Sanctions.

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

17 (1) The retirement system shall identify those  
18 companies on the list of restricted companies in which the  
19 retirement system owns direct holdings and indirect  
20 holdings.

21 (2) The retirement system shall instruct its  
22 investment advisors to sell, redeem, divest, or withdraw  
23 all direct holdings of restricted companies from the  
24 retirement system's assets under management in an orderly  
25 and fiduciarily responsible manner within 12 months after  
26 the company's most recent appearance on the list of

1 restricted companies.

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

4 (4) The provisions of this subsection (f) do not apply  
5 to the retirement system's indirect holdings or private  
6 market funds. The Illinois Investment Policy Board shall  
7 submit letters to the managers of those investment funds  
8 containing restricted companies requesting that they  
9 consider removing the companies from the fund or create a  
10 similar actively managed fund having indirect holdings  
11 devoid of the companies. If the manager creates a similar  
12 fund, the retirement system shall replace all applicable  
13 investments with investments in the similar fund in an  
14 expedited timeframe consistent with prudent investing  
15 standards.

16 (f-1) The retirement system shall adhere to the following  
17 procedures for restricted companies that are expatriated  
18 entities or for-profit companies that contract to shelter  
19 migrant children:

20 (1) To the extent that the retirement system believes  
21 that shareholder activism would be more impactful than  
22 divestment, the retirement system shall have the authority  
23 to engage with a restricted company prior to divesting.

24 (2) Subject to any applicable State or Federal laws,  
25 methods of shareholder activism utilized by the retirement  
26 system may include, but are not limited to, bringing

1 shareholder resolutions and proxy voting on shareholder  
2 resolutions.

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

7 (4) If the engagement efforts of the retirement system  
8 are unsuccessful, then it shall adhere to the procedures  
9 under subsection (f) of this Section.

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

1 orderly and fiduciarily responsible manner.

2 Notwithstanding any provision of this Section to the  
3 contrary, a retirement system may cease divestment pursuant to  
4 this subsection (f-5) if clear and convincing evidence shows  
5 that the value of investments in such Russian or Belarusian  
6 sovereign debt and Russian or Belarusian government-backed  
7 securities becomes equal to or less than 0.05% of the market  
8 value of all assets under management by the retirement system.  
9 For any cessation of divestment authorized by this subsection  
10 (f-5), the retirement system shall provide a written notice to  
11 the Illinois Investment Policy Board in advance of the  
12 cessation of divestment, setting forth the reasons and  
13 justification, supported by clear and convincing evidence, for  
14 its decision to cease divestment under this subsection (f-5).

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

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

22 (h) Notwithstanding any provision of this Section to the  
23 contrary, a retirement system may cease divesting from  
24 companies pursuant to subsection (f) if clear and convincing  
25 evidence shows that the value of investments in such companies  
26 becomes equal to or less than 0.5% of the market value of all

1 assets under management by the retirement system; except that  
2 this subsection (h) does not apply to investments in  
3 for-profit companies that contract to shelter incarcerated or  
4 detained persons. For any cessation of divestment authorized  
5 by this subsection (h), the retirement system shall provide a  
6 written notice to the Illinois Investment Policy Board in  
7 advance of the cessation of divestment, setting forth the  
8 reasons and justification, supported by clear and convincing  
9 evidence, for its decision to cease divestment under  
10 subsection (f).

11 (i) The cost associated with the activities of the  
12 Illinois Investment Policy Board shall be borne by the boards  
13 of each pension fund or investment board created under Article  
14 15, 16, or 22A of this Code.

15 (j) With respect to actions taken in compliance with this  
16 Section, including all good-faith determinations regarding  
17 companies as required by this Section, the retirement system  
18 and Illinois Investment Policy Board are exempt from any  
19 conflicting statutory or common law obligations, including any  
20 fiduciary duties under this Article and any obligations with  
21 respect to choice of asset managers, investment funds, or  
22 investments for the retirement system's securities portfolios.

23 (k) It is not the intent of the General Assembly in  
24 enacting this amendatory Act of the 99th General Assembly to  
25 cause divestiture from any company based in the United States  
26 of America. The Illinois Investment Policy Board shall

1 consider this intent when developing or reviewing the list of  
2 restricted companies.

3 (1) If any provision of this amendatory Act of the 99th  
4 General Assembly or its application to any person or  
5 circumstance is held invalid, the invalidity of that provision  
6 or application does not affect other provisions or  
7 applications of this amendatory Act of the 99th General  
8 Assembly that can be given effect without the invalid  
9 provision or application.

10 If any provision of Public Act 100-551 or its application  
11 to any person or circumstance is held invalid, the invalidity  
12 of that provision or application does not affect other  
13 provisions or applications of Public Act 100-551 that can be  
14 given effect without the invalid provision or application.

15 If any provision of Public Act 102-118 or its application  
16 to any person or circumstance is held invalid, the invalidity  
17 of that provision or application does not affect other  
18 provisions or applications of Public Act 102-118 that can be  
19 given effect without the invalid provision or application.

20 If any provision of this amendatory Act of the 102nd  
21 General Assembly or its application to any person or  
22 circumstance is held invalid, the invalidity of that provision  
23 or application does not affect other provisions or  
24 applications of this amendatory Act of the 102nd General  
25 Assembly that can be given effect without the invalid  
26 provision or application.

1       If any provision of this amendatory Act of the 104th  
2       General Assembly or its application to any person or  
3       circumstance is held invalid, the invalidity of that provision  
4       or application does not affect other provisions or  
5       applications of this amendatory Act of the 104th General  
6       Assembly that can be given effect without the invalid  
7       provision or application.

8       (Source: P.A. 102-118, eff. 7-23-21; 102-699, eff. 4-19-22;  
9       102-1108, eff. 12-21-22.)

10       Section 99. Effective date. This Act takes effect upon  
11       becoming law.