



## 101ST GENERAL ASSEMBLY

### State of Illinois

2019 and 2020

SB2062

Introduced 2/15/2019, by Sen. Iris Y. Martinez

#### SYNOPSIS AS INTRODUCED:

New Act  
15 ILCS 520/22.8  
30 ILCS 235/2.5  
40 ILCS 5/1-113.6  
40 ILCS 5/1-113.17 new

Creates the Illinois Sustainable Investing Act. Provides that any public agency or governmental unit shall develop, publish, and implement sustainable investment policies applicable to the management of all public funds under its control. Provides that the sustainable investment policy may be incorporated in existing investment policies developed, published, and implemented by a public agency or governmental unit. Provides that the sustainable investment policy shall include material, relevant, and decision-useful sustainability factors to be applied by the public agency or governmental unit in evaluating investment decisions. Provides that a public agency shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, due diligence, and investment ownership in order to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty. Specifies sustainability factors, and the ways in which such factors may be analyzed. Amends the Deposit of State Moneys Act, the Public Funds Investment Act, and the Illinois Pension Code to make changes concerning investment policy and the Illinois Sustainable Investing Act. Provides findings and purpose provisions. Defines terms.

LRB101 10084 RJF 55187 b

FISCAL NOTE ACT  
MAY APPLY

A BILL FOR

1 AN ACT concerning finance.

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

4 Section 1. Short title. This Act may be cited as the  
5 Illinois Sustainable Investing Act.

6 Section 5. Findings and purpose.

7 (a) The General Assembly finds that consideration of  
8 factors relevant to the environmental impact, social impact,  
9 and governance of investments is vital for maximizing the  
10 safety and performance of public funds. Such sustainability  
11 factors are indicative of the overall performance of an  
12 investment and are strong indicators of its long-term value.  
13 Public agencies and governments have a duty to recognize and  
14 evaluate these materially relevant factors.

15 (b) It is the purpose of this Act to prudently integrate  
16 sustainability factors into the investment decision-making,  
17 investment analysis, portfolio construction, due diligence,  
18 and investment ownership of public funds to maximize  
19 anticipated financial returns, minimize projected risks, more  
20 effectively execute fiduciary duties, and contribute to a more  
21 just, accountable, and sustainable State of Illinois.

22 Section 10. Definitions. As used in this Act:

1 "Governmental unit" has the same meaning as in the Local  
2 Government Debt Reform Act.

3 "Investment policy" means a written investment policy  
4 adopted by a public agency or governmental unit which addresses  
5 safety of principal, liquidity of funds, and return on  
6 investment and which requires the investment portfolio be  
7 structured in such a manner as to provide sufficient liquidity  
8 to pay obligations as they come due.

9 "Public agency" means the State of Illinois, the various  
10 counties, townships, cities, towns, villages, school  
11 districts, educational service regions, special road  
12 districts, public water supply districts, fire protection  
13 districts, drainage districts, levee districts, sewer  
14 districts, housing authorities, the Illinois Bank Examiners'  
15 Education Foundation, the Chicago Park District, and all other  
16 political corporations or subdivisions of the State of  
17 Illinois, now or hereafter created, whether herein  
18 specifically mentioned or not.

19 "Public funds" means current operating funds, special  
20 funds, interest and sinking funds, and funds of any kind or  
21 character belonging to or in the custody of any public agency.

22 "Sustainability factors" means factors that may have a  
23 material and relevant financial impact on the safety or  
24 performance of an investment and which are complementary to  
25 financial factors and financial accounting.

1           Section 15. Development of sustainable investment  
2 policies.

3           (a) Any public agency or governmental unit shall develop,  
4 publish, and implement sustainable investment policies  
5 applicable to the management of all public funds under its  
6 control. The sustainable investment policy may be incorporated  
7 in existing investment policies developed, published, and  
8 implemented by a public agency or governmental unit.

9           (b) The sustainable investment policy shall include  
10 material, relevant, and decision-useful sustainability factors  
11 to be applied by the public agency or governmental unit in  
12 evaluating investment decisions, including, but not limited  
13 to: (1) corporate governance and leadership factors; (2)  
14 environmental factors; (3) social capital factors; (4) human  
15 capital factors; and (5) business model and innovation factors.

16           Section 20. Consideration of sustainable investment  
17 factors in decision-making.

18           (a) A public agency shall prudently integrate  
19 sustainability factors into its investment decision-making,  
20 investment analysis, portfolio construction, due diligence,  
21 and investment ownership in order to maximize anticipated  
22 financial returns, minimize projected risk, and more  
23 effectively execute its fiduciary duty.

24           (b) Sustainability factors include, but are not limited to,  
25 the following:

1           (1) Corporate governance and leadership factors, such  
2           as the independence of boards and auditors, the expertise  
3           and competence of corporate boards and executives,  
4           systemic risk management practices, executive compensation  
5           structures, transparency and reporting, leadership  
6           diversity, regulatory and legal compliance, shareholder  
7           rights, and ethical conduct.

8           (2) Environmental factors that may have an adverse or  
9           positive financial impact on investment performance, such  
10          as greenhouse gas emissions, air quality, energy  
11          management, water and wastewater management, waste and  
12          hazardous materials management, and ecological impacts.

13          (3) Social capital factors that impact relationships  
14          with key outside parties, such as customers, local  
15          communities, the public, and the government, which may  
16          impact investment performance. Social capital factors  
17          include human rights, customer welfare, customer privacy,  
18          data security, access and affordability, selling practices  
19          and product labeling, community reinvestment, and  
20          community relations.

21          (4) Human capital factors that recognize that the  
22          workforce is an important asset to delivering long-term  
23          value, including factors such as labor practices, employee  
24          health and safety, employee engagement, diversity and  
25          inclusion, and incentives and compensation.

26          (5) Business model and innovation factors that reflect

1 an ability to plan and forecast opportunities and risks,  
2 and whether a company can create long-term shareholder  
3 value, including factors such as supply chain management,  
4 materials sourcing and efficiency, business model  
5 resilience, product design and life cycle management, and  
6 physical impacts of climate change.

7 (c) Sustainability factors may be analyzed in a variety of  
8 ways, including, but not limited to: (1) direct financial  
9 impacts and risks; (2) legal, regulatory, and policy impacts  
10 and risks; (3) against industry norms, best practices, and  
11 competitive drivers; and (4) stakeholder engagement.

12 Section 100. The Deposit of State Moneys Act is amended by  
13 changing Section 22.8 as follows:

14 (15 ILCS 520/22.8)

15 Sec. 22.8. The Treasurer shall develop, publish, and  
16 implement an investment policy covering the management of all  
17 State funds under his or her control. The investment policy  
18 shall be published each year in the Treasurers' annual report  
19 as prescribed in Section 15 of the State Treasurer Act (15 ILCS  
20 505/15). The policy shall also be published at least once each  
21 year in at least one newspaper of general circulation in both  
22 Springfield and Chicago. Any such investment policy adopted by  
23 the Treasurer shall be reviewed, and updated if necessary,  
24 within 90 days following the installation of a new Treasurer.

1       The investment policy shall include material, relevant,  
2       and decision-useful sustainability factors to be applied by the  
3       Treasurer in evaluating investment decisions, including, but  
4       not limited to: (1) corporate governance and leadership  
5       factors; (2) environmental factors; (3) social capital  
6       factors; (4) human capital factors; and (5) business model and  
7       innovation factors, as provided under the Illinois Sustainable  
8       Investing.

9       (Source: P.A. 89-350, eff. 8-17-95.)

10       Section 105. The Public Funds Investment Act is amended by  
11       changing Section 2.5 as follows:

12       (30 ILCS 235/2.5)

13       Sec. 2.5. Investment policy.

14       (a) Investment of public funds by a public agency shall be  
15       governed by a written investment policy adopted by the public  
16       agency. The level of detail and complexity of the investment  
17       policy shall be appropriate to the nature of the funds, the  
18       purpose for the funds, and the amount of the public funds  
19       within the investment portfolio. The policy shall address  
20       safety of principal, liquidity of funds, and return on  
21       investment and shall require that the investment portfolio be  
22       structured in such manner as to provide sufficient liquidity to  
23       pay obligations as they come due. In addition, the investment  
24       policy shall include or address the following:

- 1 (1) a listing of authorized investments;
- 2 (2) a rule, such as the "prudent person rule",  
3 establishing the standard of care that must be maintained  
4 by the persons investing the public funds;
- 5 (3) investment guidelines that are appropriate to the  
6 nature of the funds, the purpose for the funds, and the  
7 amount of the public funds within the investment portfolio;
- 8 (4) a policy regarding diversification of the  
9 investment portfolio that is appropriate to the nature of  
10 the funds, the purpose for the funds, and the amount of the  
11 public funds within the investment portfolio;
- 12 (5) guidelines regarding collateral requirements, if  
13 any, for the deposit of public funds in a financial  
14 institution made pursuant to this Act, and, if applicable,  
15 guidelines for contractual arrangements for the custody  
16 and safekeeping of that collateral;
- 17 (6) a policy regarding the establishment of a system of  
18 internal controls and written operational procedures  
19 designed to prevent losses of funds that might arise from  
20 fraud, employee error, misrepresentation by third parties,  
21 or imprudent actions by employees of the entity;
- 22 (7) identification of the chief investment officer who  
23 is responsible for establishing the internal controls and  
24 written procedures for the operation of the investment  
25 program;
- 26 (8) performance measures that are appropriate to the



1 nature of the funds, the purpose for the funds, and the  
2 amount of the public funds within the investment portfolio;

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

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

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

16 (12) a policy regarding ethics and conflicts of  
17 interest; ~~and-~~

18 (13) a policy regarding material, relevant, and  
19 decision-useful sustainability factors applied by the  
20 agency in evaluating investment decisions, including, but  
21 not limited to: (i) corporate governance and leadership  
22 factors; (ii) environmental factors; (iii) social capital  
23 factors; (iv) human capital factors; and (v) business model  
24 and innovation factors, as provided under the Illinois  
25 Sustainable Investing Act.

26 (b) For purposes of the State or a county, the investment

1 policy shall be adopted by the elected treasurer and presented  
2 to the chief executive officer and the governing body. For  
3 purposes of any other public agency, the investment policy  
4 shall be adopted by the governing body of the public agency.

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

7 (d) The written investment policy required under this  
8 Section shall be developed and implemented by January 1, 2000.

9 (Source: P.A. 90-688, eff. 7-31-98.)

10 Section 110. The Illinois Pension Code is amended by  
11 changing Section 1-113.6 and by adding Section 1-113.17 as  
12 follows:

13 (40 ILCS 5/1-113.6)

14 Sec. 1-113.6. Investment policies. Every board of trustees  
15 of a pension fund shall adopt a written investment policy and  
16 file a copy of that policy with the Department of Insurance  
17 within 30 days after its adoption. Whenever a board changes its  
18 investment policy, it shall file a copy of the new policy with  
19 the Department within 30 days.

20 The investment policy shall include material, relevant,  
21 and decision-useful sustainability factors to be applied by the  
22 board in evaluating investment decisions, including, but not  
23 limited to: (1) corporate governance and leadership factors;  
24 (2) environmental factors; (3) social capital factors; (4)

1 human capital factors; and (5) business model and innovation  
2 factors, as provided under the Illinois Sustainable Investing  
3 Act.

4 (Source: P.A. 90-507, eff. 8-22-97.)

5 (40 ILCS 5/1-113.17 new)

6 Sec. 1-113.17. Investment sustainability. Every retirement  
7 system, pension fund, or investment board subject to this Code  
8 shall adopt a written investment policy and file a copy of that  
9 policy with the Department of Insurance within 30 days after  
10 its adoption. Whenever a board changes its investment policy,  
11 it shall file a copy of the new policy with the Department  
12 within 30 days.

13 The investment policy shall include material, relevant,  
14 and decision-useful sustainability factors to be applied by the  
15 board in evaluating investment decisions, including, but not  
16 limited to: (1) corporate governance and leadership factors;  
17 (2) environmental factors; (3) social capital factors; (4)  
18 human capital factors; and (5) business model and innovation  
19 factors, as provided under the Illinois Sustainable Investing  
20 Act.