



103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB5201

Introduced 2/9/2024, by Rep. Brad Halbrook

SYNOPSIS AS INTRODUCED:

30 ILCS 238/Act rep.
30 ILCS 235/2.5
40 ILCS 5/1-113.6
40 ILCS 5/1-113.17
40 ILCS 5/15-177.6
40 ILCS 5/16-189
40 ILCS 5/22A-113.5

Repeals the Illinois Sustainable Investing Act. Amends the Public Funds Investment Act and the Illinois Pension Code to make conforming changes, including removal of sustainability factors from investment policies.

LRB103 38361 MXP 68496 b

1 AN ACT concerning finance.

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

4 (30 ILCS 238/Act rep.)

5 Section 5. The Illinois Sustainable Investing Act is
6 repealed.

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

9 (30 ILCS 235/2.5)

10 Sec. 2.5. Investment policy.

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

22 (1) a listing of authorized investments;

1 (2) a rule, such as the "prudent person rule",
2 establishing the standard of care that must be maintained
3 by the persons investing the public funds;

4 (3) investment guidelines that are appropriate to the
5 nature of the funds, the purpose for the funds, and the
6 amount of the public funds within the investment
7 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
18 of 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
3 portfolio;

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

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

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

17 (12) a policy regarding ethics and conflicts of
18 interest.

19 (a-5) (Blank). ~~The investment policy shall include a~~
20 ~~statement that material, relevant, and decision useful~~
21 ~~sustainability factors have been or are regularly considered~~
22 ~~by the agency, within the bounds of financial and fiduciary~~
23 ~~prudence, in evaluating investment decisions. Such factors~~
24 ~~include, but are not limited to: (i) corporate governance and~~
25 ~~leadership factors; (ii) environmental factors; (iii) social~~
26 ~~capital factors; (iv) human capital factors; and (v) business~~

1 ~~model and innovation factors, as provided under the Illinois~~
2 ~~Sustainable Investing Act.~~

3 (b) For purposes of the State or a county, the investment
4 policy shall be adopted by the elected treasurer and presented
5 to the chief executive officer and the governing body. For
6 purposes of any other public agency, the investment policy
7 shall be adopted by the governing body of the public agency.

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

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

12 (Source: P.A. 101-473, eff. 1-1-20.)

13 Section 15. The Illinois Pension Code is amended by
14 changing Sections 1-113.6, 1-113.17, 15-177.6, 16-189, and
15 22A-113.5 as follows:

16 (40 ILCS 5/1-113.6)

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

23 ~~The investment policy shall include a statement that~~
24 ~~material, relevant, and decision useful sustainability factors~~

1 ~~have been or are regularly considered by the board, within the~~
2 ~~bounds of financial and fiduciary prudence, in evaluating~~
3 ~~investment decisions. Such factors include, but are not~~
4 ~~limited to: (1) corporate governance and leadership factors;~~
5 ~~(2) environmental factors; (3) social capital factors; (4)~~
6 ~~human capital factors; and (5) business model and innovation~~
7 ~~factors, as provided under the Illinois Sustainable Investing~~
8 ~~Act.~~

9 (Source: P.A. 101-473, eff. 1-1-20.)

10 (40 ILCS 5/1-113.17)

11 Sec. 1-113.17. Investment policies ~~sustainability~~. Every
12 retirement system, pension fund, or investment board subject
13 to this Code shall adopt a written investment policy and file a
14 copy of that policy with the Department of Insurance within 30
15 days after its adoption. Whenever a board changes its
16 investment policy, it shall file a copy of the new policy with
17 the Department within 30 days.

18 ~~The investment policy shall include material, relevant,~~
19 ~~and decision-useful sustainability factors to be considered by~~
20 ~~the board, within the bounds of financial and fiduciary~~
21 ~~prudence, in evaluating investment decisions. Such factors~~
22 ~~shall include, but are not limited to: (1) corporate~~
23 ~~governance and leadership factors; (2) environmental factors;~~
24 ~~(3) social capital factors; (4) human capital factors; and (5)~~
25 ~~business model and innovation factors, as provided under the~~

1 ~~Illinois Sustainable Investing Act.~~

2 (Source: P.A. 101-473, eff. 1-1-20.)

3 (40 ILCS 5/15-177.6)

4 Sec. 15-177.6. Voting proxy ballots ~~Fiduciary report~~. On
5 or before September 1, 2023, and annually thereafter, the
6 Board shall publish its guidelines for voting proxy ballots,
7 ~~and a detailed report on its website describing how the Board~~
8 ~~is considering sustainability factors as defined in the~~
9 ~~Illinois Sustainable Investing Act. The report shall:~~

10 ~~(1) describe the Board's strategy as it relates to the~~
11 ~~consideration of sustainable investment factors;~~

12 ~~(2) outline the process for regular assessment across~~
13 ~~the total portfolio of potential effects from systemic and~~
14 ~~regulatory risks and opportunities, including, but not~~
15 ~~limited to, sustainability factors on the assets of the~~
16 ~~plan;~~

17 ~~(3) disclose how each investment manager serving as a~~
18 ~~fiduciary to the Board integrates sustainability factors~~
19 ~~into the investment manager's investment decision-making~~
20 ~~process;~~

21 ~~(4) provide a comprehensive proxy voting report;~~

22 ~~(5) provide an overview of all corporate engagement~~
23 ~~and stewardship activities; and~~

24 ~~(6) include any other information the Board deems~~
25 ~~necessary.~~

1 (Source: P.A. 103-468, eff. 8-4-23.)

2 (40 ILCS 5/16-189)

3 Sec. 16-189. Voting proxy ballots ~~Fiduciary report~~. On or
4 before September 1, 2023, and annually thereafter, the Board
5 shall publish its guidelines for voting proxy ballots. ~~and a~~
6 ~~detailed report on its website describing how the Board is~~
7 ~~considering sustainability factors as defined in the Illinois~~
8 ~~Sustainable Investing Act. The report shall:~~

9 ~~(1) describe the Board's strategy as it relates to the~~
10 ~~consideration of sustainable investment factors;~~

11 ~~(2) outline the process for regular assessment across~~
12 ~~the total portfolio of potential effects from systemic and~~
13 ~~regulatory risks and opportunities, including, but not~~
14 ~~limited to, sustainability factors on the assets of the~~
15 ~~plan;~~

16 ~~(3) disclose how each investment manager serving as a~~
17 ~~fiduciary to the Board integrates sustainability factors~~
18 ~~into the investment manager's investment decision making~~
19 ~~process;~~

20 ~~(4) provide a comprehensive proxy voting report;~~

21 ~~(5) provide an overview of all corporate engagement~~
22 ~~and stewardship activities; and~~

23 ~~(6) include any other information the Board deems~~
24 ~~necessary.~~

25 (Source: P.A. 103-468, eff. 8-4-23.)

1 (40 ILCS 5/22A-113.5)

2 Sec. 22A-113.5. Voting proxy ballots ~~Fiduciary report~~. On
3 or before September 1, 2023, and annually thereafter, the
4 Board shall publish its guidelines for voting proxy ballots.
5 ~~and a detailed report on its website describing how the Board~~
6 ~~is considering sustainability factors as defined in the~~
7 ~~Illinois Sustainable Investing Act. The report shall:~~

8 ~~(1) describe the Board's strategy as it relates to the~~
9 ~~consideration of sustainable investment factors;~~

10 ~~(2) outline the process for regular assessment across~~
11 ~~the total portfolio of potential effects from systemic and~~
12 ~~regulatory risks and opportunities, including, but not~~
13 ~~limited to, sustainability factors on the assets of the~~
14 ~~plan;~~

15 ~~(3) disclose how each investment manager serving as a~~
16 ~~fiduciary to the Board integrates sustainability factors~~
17 ~~into the investment manager's investment decision making~~
18 ~~process;~~

19 ~~(4) provide a comprehensive proxy voting report;~~

20 ~~(5) provide an overview of all corporate engagement~~
21 ~~and stewardship activities; and~~

22 ~~(6) include any other information the Board deems~~
23 ~~necessary.~~

24 (Source: P.A. 103-468, eff. 8-4-23.)