

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 22A-106 and by adding Sections 15-177.5,
6 15-177.6, 16-188, 16-189, 22A-113.4, and 22A-113.5 as follows:

7 (40 ILCS 5/15-177.5 new)

8 Sec. 15-177.5. Proxy voting.

9 (a) In this Section, "fiduciary" has the meaning given to
10 that term in Section 1-101.2.

11 (b) Notwithstanding the Board's investment authority, and
12 upon the affirmative vote of at least three-fifths of the
13 members of the Board, the State Treasurer shall be authorized
14 to manage the domestic and international proxy voting activity
15 for shares held directly by the System and execute required
16 ballots on behalf of the System. The Board's consent granted
17 under this Section may be revoked at any time upon the
18 affirmative vote of a majority of the members of the Board.

19 (c) When the State Treasurer is managing any proxy voting
20 activity in accordance with subsection (b), the following
21 shall apply: (1) the State Treasurer shall provide the Board
22 with (i) comprehensive proxy voting reports on a quarterly
23 basis and as requested by the Board and (ii) access to

1 communications with its third-party proxy voting service, if
2 any, used in preparing the comprehensive proxy voting reports
3 requested by the Board; and (2) the Board may provide the State
4 Treasurer with guidance for proxy voting, which, if provided,
5 the State Treasurer shall consider when voting.

6 (d) The State Treasurer shall act as a fiduciary to the
7 System with regard to all aspects of the State Treasurer's
8 management of the proxy voting activity as provided under
9 subsection (b).

10 (e) With respect to this Section, and with respect to the
11 State Treasurer's management of the proxy voting activity as
12 provided for under subsection (b), the Board is exempt from
13 any conflicting statutory or common law obligations, including
14 any fiduciary or co-fiduciary duties under this Article and
15 Article 1.

16 (f) With respect to this Section and with respect to the
17 State Treasurer's management of the proxy voting activity as
18 provided for under subsection (b), the Board, its staff, and
19 the trustees of the Board shall not be liable for any damage or
20 suits where damages are sought for negligent or wrongful acts
21 alleged to have been committed in connection with the
22 management of proxy voting activity as provided for under this
23 Section.

24 (g) In order to facilitate the State Treasurer's proxy
25 voting activities under this Section and before the State
26 Treasurer begins proxy voting activities, the State Treasurer

1 and the Board shall enter into an intergovernmental agreement
2 concerning costs, proxy voting guidance, reports and other
3 documents, and other issues.

4 (h) This Section is repealed on January 1, 2027.

5 (40 ILCS 5/15-177.6 new)

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

12 (1) describe the Board's strategy as it relates to the
13 consideration of sustainable investment factors;

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

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

23 (4) provide a comprehensive proxy voting report;

24 (5) provide an overview of all corporate engagement
25 and stewardship activities; and

1 (6) include any other information the Board deems
2 necessary.

3 (40 ILCS 5/16-188 new)

4 Sec. 16-188. Proxy voting.

5 (a) In this Section, "fiduciary" has the meaning given to
6 that term in Section 1-101.2.

7 (b) Notwithstanding the Board's investment authority, and
8 upon the affirmative vote of at least three-fifths of the
9 members of the Board, the State Treasurer shall be authorized
10 to manage the domestic and international proxy voting activity
11 for shares held directly by the System and execute required
12 ballots on behalf of the System. The Board's consent granted
13 under this Section may be revoked at any time upon the
14 affirmative vote of a majority of the members of the Board.

15 (c) When the State Treasurer is managing any proxy voting
16 activity in accordance with subsection (b), the following
17 shall apply: (1) the State Treasurer shall provide the Board
18 with (i) comprehensive proxy voting reports on a quarterly
19 basis and as requested by the Board and (ii) access to
20 communications with its third-party proxy voting service, if
21 any, used in preparing the comprehensive proxy voting reports
22 requested by the Board; and (2) the Board may provide the State
23 Treasurer with guidance for proxy voting, which, if provided,
24 the State Treasurer shall consider when voting.

25 (d) The State Treasurer shall act as a fiduciary to the

1 System with regard to all aspects of the State Treasurer's
2 management of the proxy voting activity as provided under
3 subsection (b).

4 (e) With respect to this Section, and with respect to the
5 State Treasurer's management of the proxy voting activity as
6 provided for under subsection (b), the Board is exempt from
7 any conflicting statutory or common law obligations, including
8 any fiduciary or co-fiduciary duties under this Article and
9 Article 1.

10 (f) With respect to this Section and with respect to the
11 State Treasurer's management of the proxy voting activity as
12 provided for under subsection (b), the Board, its staff, and
13 the trustees of the Board shall not be liable for any damage or
14 suits where damages are sought for negligent or wrongful acts
15 alleged to have been committed in connection with the
16 management of proxy voting activity as provided for under this
17 Section.

18 (g) In order to facilitate the State Treasurer's proxy
19 voting activities under this Section and before the State
20 Treasurer begins proxy voting activities, the State Treasurer
21 and the Board shall enter into an intergovernmental agreement
22 concerning costs, proxy voting guidance, reports and other
23 documents, and other issues.

24 (h) This Section is repealed on January 1, 2027.

1 Sec. 16-189. Fiduciary report. On or before September 1,
2 2023, and annually thereafter, the Board shall publish its
3 guidelines for voting proxy ballots and a detailed report on
4 its website describing how the Board is considering
5 sustainability factors as defined in the Illinois Sustainable
6 Investing Act. The report shall:

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

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

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

18 (4) provide a comprehensive proxy voting report;

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

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

23 (40 ILCS 5/22A-106) (from Ch. 108 1/2, par. 22A-106)

24 Sec. 22A-106. "Manage": To invest, reinvest, exchange and
25 to perform all investment functions with regard to reserves,

1 funds, assets, securities and moneys which the board is
2 authorized to invest, and to preserve and protect such
3 reserves, funds, assets, securities and moneys, including, but
4 not limited to, authority to vote any stocks, bonds or other
5 securities and to give general or special proxies or powers of
6 attorney with or without power of substitution, except that
7 the authority to vote proxies is subject to Section 22A-113.4.

8 This term shall not include any functions, duties and
9 responsibilities incident to the operation and administration
10 of pension funds or education fund other than that of
11 investments.

12 (Source: P.A. 84-1127.)

13 (40 ILCS 5/22A-113.4 new)

14 Sec. 22A-113.4. Proxy voting.

15 (a) In this Section, "fiduciary" has the meaning given to
16 that term in Section 1-101.2.

17 (b) Notwithstanding the Board's investment authority, and
18 upon the affirmative vote of at least three-fifths of the
19 members of the Board, the State Treasurer shall be authorized
20 to manage the domestic and international proxy voting activity
21 for shares held directly by the Board and execute required
22 ballots on behalf of the Board. The Board's consent granted
23 under this Section may be revoked at any time upon the
24 affirmative vote of a majority of the members of the Board.

25 (c) When the State Treasurer is managing any proxy voting

1 activity in accordance with subsection (b), the following
2 shall apply: (1) the State Treasurer shall provide the Board
3 with (i) comprehensive proxy voting reports on a quarterly
4 basis and as requested by the Board and (ii) access to
5 communications with its third-party proxy voting service, if
6 any, used in preparing the comprehensive proxy voting reports
7 requested by the Board; and (2) the Board may provide the State
8 Treasurer with guidance for proxy voting, which, if provided,
9 the State Treasurer shall consider when voting.

10 (d) The State Treasurer shall act as a fiduciary to the
11 Illinois State Board of Investment with regard to all aspects
12 of the State Treasurer's management of the proxy voting
13 activity as provided under subsection (b).

14 (e) With respect to this Section, and with respect to the
15 State Treasurer's management of the proxy voting activity as
16 provided for under subsection (b), the Board is exempt from
17 any conflicting statutory or common law obligations, including
18 any fiduciary or co-fiduciary duties under this Article and
19 Article 1.

20 (f) With respect to this Section and with respect to the
21 State Treasurer's management of the proxy voting activity as
22 provided for under subsection (b), the Board, its staff, and
23 the trustees of the Board shall not be liable for any damage or
24 suits where damages are sought for negligent or wrongful acts
25 alleged to have been committed in connection with the
26 management of proxy voting activity as provided for under this

1 Section.

2 (g) In order to facilitate the State Treasurer's proxy
3 voting activities under this Section and before the State
4 Treasurer begins proxy voting activities, the State Treasurer
5 and the Board shall enter into an intergovernmental agreement
6 concerning costs, proxy voting guidance, reports and other
7 documents, and other issues.

8 (h) This Section is repealed on January 1, 2027.

9 (40 ILCS 5/22A-113.5 new)

10 Sec. 22A-113.5. Fiduciary report. On or before September
11 1, 2023, and annually thereafter, the Board shall publish its
12 guidelines for voting proxy ballots and a detailed report on
13 its website describing how the Board is considering
14 sustainability factors as defined in the Illinois Sustainable
15 Investing Act. The report shall:

16 (1) describe the Board's strategy as it relates to the
17 consideration of sustainable investment factors;

18 (2) outline the process for regular assessment across
19 the total portfolio of potential effects from systemic and
20 regulatory risks and opportunities, including, but not
21 limited to, sustainability factors on the assets of the
22 plan;

23 (3) disclose how each investment manager serving as a
24 fiduciary to the Board integrates sustainability factors
25 into the investment manager's investment decision-making

1 process;
2 (4) provide a comprehensive proxy voting report;
3 (5) provide an overview of all corporate engagement
4 and stewardship activities; and
5 (6) include any other information the Board deems
6 necessary.

7 Section 99. Effective date. This Act takes effect upon
8 becoming law.