



## 103RD GENERAL ASSEMBLY

### State of Illinois

2023 and 2024

SB3717

Introduced 2/9/2024, by Sen. Adriane Johnson

#### SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-110.18 new  
30 ILCS 805/8.48 new

Amends the General Provisions Article of the Illinois Pension Code. Provides that the amendatory Act may be referred to as the Fossil Fuel Divestment Act. With regard to the pension funds and retirement systems established under the General Assembly, Chicago Police, Chicago Firefighter, Illinois Municipal Retirement Fund (IMRF), Chicago Municipal, Chicago Laborers', State Employees, State Universities, Downstate Teachers, or Judges Article of the Code, prohibits investment of pension system assets in fossil fuel companies. Requires pension systems to adopt an update to its written investment policies if necessary. Requires pension systems to divest any holdings of stocks, securities, or other obligations of a fossil fuel company. Provides that, beginning one year after the effective date of the amendatory Act, the board of trustees of a pension system shall ensure that the pension system does not invest in any indirect investment vehicle unless the board of trustees is satisfied that the investment vehicle is unlikely to have more than 2% of its assets invested in coal, oil, or gas producers. Requires pension systems to post on its publicly accessible website information detailing all its holdings in the public market and private equity investments. Requires pension systems to annually issue a report reviewing its environmental, social, and governance investment policy. Sets forth definitions and other provisions. Amends the State Mandates Act to require implementation without reimbursement. Effective immediately.

LRB103 39032 RPS 69169 b

STATE MANDATES  
ACT MAY REQUIRE  
REIMBURSEMENT

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 1. This Act may be referred to as the Fossil Fuel  
5 Divestment Act.

6 Section 5. Findings; purpose. The General Assembly finds  
7 that:

8 (1) Climate change is a real and serious threat to the  
9 health, welfare, and prosperity of all Illinoisans, now  
10 and in the future. Maintaining the status quo of fossil  
11 fuel energy production could lead to catastrophic results.

12 (2) The threat of climate change and the necessary  
13 transformation of the global energy system to mitigate it  
14 will have a serious negative impact on investors whose  
15 assets are not aligned with a 1.5-degree Celsius  
16 trajectory.

17 (3) Continued investment in fossil fuel producers  
18 poses unacceptable risk to the long-term sustainability of  
19 the 5 Illinois State pension funds, the General Assembly  
20 Retirement System (GARS), the State Employees' Retirement  
21 System of Illinois (SERS), the State Universities  
22 Retirement System (SURS), the Teachers' Retirement System  
23 of the State of Illinois (TRS), and the Judges' Retirement

1 System of Illinois (JRS); the Illinois Municipal  
2 Retirement Fund (IMRF); and the 4 Chicago pension funds,  
3 the Municipal Employees', Officers', and Officials'  
4 Annuity and Benefit Fund of Chicago (MEABF), the Laborers'  
5 and Retirement Board Employees' Annuity and Benefit Fund  
6 of Chicago (LABF), the Policemen's Annuity and Benefit  
7 Fund of Chicago, and the Firemen's Annuity and Benefit  
8 Fund of Chicago.

9 (4) Continued investment in fossil fuel producers  
10 poses unacceptable risk to the long-term sustainability of  
11 \$26,000,000,000 of the State's investments;  
12 \$17,000,000,000 in the programs established pursuant to  
13 Section 529 of the Internal Revenue Code; \$12,000,000,000  
14 of the Illinois Funds; \$80,000,000 of the Secure Choice  
15 Retirement Savings Program; and \$30,000,000 in the ABLE  
16 Account Program.

17 (5) Continued investment in fossil fuel producers  
18 poses unacceptable risk to the long-term sustainability of  
19 the City of Chicago's pension funds.

20 (6) Because the continued investment in fossil fuel  
21 producers poses unacceptable risk to these pension systems  
22 and State investments, those who hold investment authority  
23 over these systems should divest from fossil fuel  
24 companies and fossil fuel infrastructure.

25 Section 10. The Illinois Pension Code is amended by adding

1 Section 1-110.18 as follows:

2 (40 ILCS 5/1-110.18 new)

3 Sec. 1-110.18. Fossil fuel investment prohibited.

4 (a) In this Section:

5 "Fossil fuel" means coal, petroleum, natural gas, or any  
6 derivative of coal, petroleum, or natural gas that is used for  
7 fuel.

8 "Fossil fuel company" means any company that: (1) is among  
9 the 200 publicly traded companies with the largest fossil fuel  
10 reserves in the world; (2) is among the 30 largest public  
11 company owners in the world of coal-fired power plants; (3)  
12 has as its core business the construction or operation of  
13 fossil fuel infrastructure; (4) has as its core business the  
14 exploration, extraction, refining, processing, or distribution  
15 of fossil fuels; or (5) that receives more than 20% of its  
16 gross revenue from companies that meet the definition under  
17 item (1), (2), (3), or (4) of this definition.

18 "Fossil fuel infrastructure" means oil or gas wells; oil  
19 or gas pipelines and refineries; oil, coal, or gas-fired power  
20 plants; oil and gas storage tanks; fossil fuel export  
21 terminals; and any other infrastructure used exclusively for  
22 fossil fuels.

23 "Indirect investment" means a holding in an investment  
24 vehicle that directly or indirectly owns a more than 1%  
25 interest in one or more individual fossil fuel companies.

1       "Pension system" means a pension fund or retirement system  
2 established under Article 2, 5, 6, 7, 8, 11, 14, 15, 16, or 18.

3       (b) A pension system, in accordance with sound investment  
4 criteria and consistent with fiduciary obligations, shall not  
5 invest the assets of the pension system in the stocks,  
6 securities, or other obligations of any fossil fuel company or  
7 any subsidiary, affiliate, or parent of any fossil fuel  
8 company. Nothing in this subsection precludes de minimis  
9 exposure of any funds held by a pension system to the stocks,  
10 securities, or other obligations of any fossil fuel company or  
11 any subsidiary, affiliate, or parent of any fossil fuel  
12 company. The board of trustees of a pension system shall not  
13 invest in any prime commercial paper or corporate bonds issued  
14 by a fossil fuel company.

15       (c) Each board of trustees of a pension system that has  
16 adopted a written investment policy under Section 1-113.6  
17 shall adopt an update of its written investment policies, if  
18 necessary, to meet the requirements of this Section and file a  
19 copy of that updated policy with the Department of Insurance  
20 within 30 days after its adoption.

21       (d) Beginning one year after the effective date of this  
22 amendatory Act of the 103rd General Assembly, subject to an  
23 affirmative determination of prudence, and in accordance with  
24 sound investment criteria and consistent with its fiduciary  
25 obligations, each board of trustees of a pension system shall  
26 ensure that the pension system does not invest in any indirect

1 investment vehicle unless the board of trustees is satisfied  
2 that the investment vehicle is unlikely to have more than 2% of  
3 its assets invested in coal, oil, or gas producers.

4 (e) Each pension system shall review the extent to which  
5 the assets of the pension system are invested in the stocks,  
6 securities, or other obligations of any fossil fuel company or  
7 any subsidiary, affiliate, or parent of any fossil fuel  
8 company. The board of trustees of a pension system shall, in  
9 accordance with sound investment criteria and consistent with  
10 fiduciary obligations, divest any such holdings. Divestment  
11 pursuant to this subsection must be completed by January 1,  
12 2029. Nothing in this subsection precludes de minimis exposure  
13 of any funds held by the board to the stocks, securities, or  
14 other obligations of any fossil fuel company or any  
15 subsidiary, affiliate, or parent of any fossil fuel company.

16 (f) The board of trustees of a pension system may not  
17 invest in any prime commercial paper or corporate bonds issued  
18 by a fossil fuel company.

19 (g) On a quarterly basis, each pension system shall post  
20 on its publicly accessible website information detailing all  
21 its holdings in the public market and private equity  
22 investments.

23 (h) Beginning January 1, 2025 and annually thereafter,  
24 each pension system shall issue a report reviewing its  
25 environmental, social, and governance investment policy. The  
26 report must disclose commonly available environmental

1 performance metrics on the environmental effects of the  
2 pension system's investments.

3 Section 90. The State Mandates Act is amended by adding  
4 Section 8.48 as follows:

5 (30 ILCS 805/8.48 new)

6 Sec. 8.48. Exempt mandate. Notwithstanding Sections 6 and  
7 8 of this Act, no reimbursement by the State is required for  
8 the implementation of any mandate created by this amendatory  
9 Act of the 103rd General Assembly.

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