

HB1296



98TH GENERAL ASSEMBLY

State of Illinois

2013 and 2014

HB1296

by Rep. Christian L Mitchell

SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-110.16 new

Amends the General Provisions Article of the Illinois Pension Code. Requires each pension fund and retirement system established under the Code to make its best efforts to identify all firearm manufacturing companies in which it has direct or indirect holdings and, under certain circumstances, to divest itself of holdings in those companies. Effective immediately.

LRB098 06860 JDS 36909 b

FISCAL NOTE ACT
MAY APPLY

PENSION IMPACT
NOTE ACT MAY
APPLY

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 5. The Illinois Pension Code is amended by adding
5 Section 1-110.16 as follows:

6 (40 ILCS 5/1-110.16 new)

7 Sec. 1-110.16. Transactions prohibited by retirement
8 systems; manufacturers of firearms and ammunition.

9 (a) As used in this Section:

10 "Company" means any sole proprietorship, organization,
11 association, corporation, partnership, joint venture, limited
12 partnership, limited liability partnership, limited liability
13 company, or other entity or business association, including all
14 wholly owned subsidiaries, majority-owned subsidiaries, parent
15 companies, or affiliates of those entities or business
16 associations, that exists for the purpose of making profit.

17 "Direct holdings" in a company means all securities of that
18 company that are held directly by the retirement system or in
19 an account or fund in which the retirement system owns all
20 shares or interests.

21 "Firearm manufacturing company" means a company that is
22 licensed pursuant to 27 C.F.R. 478.41 as a manufacturer of
23 destructive devices, ammunition for destructive devices, armor

1 piercing ammunition, firearms other than destructive devices,
2 or ammunition for firearms other than destructive devices or
3 armor piercing ammunition.

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

10 "Private market fund" means any private equity fund,
11 private equity fund of funds, venture capital fund, hedge fund,
12 hedge fund of funds, real estate fund, or other investment
13 vehicle that is not publicly traded.

14 "Retirement system" means any pension fund or retirement
15 system established under this Code.

16 (b) Within 90 days after the effective date of this
17 Section, each retirement system shall make its best efforts to
18 identify all firearm manufacturing companies in which the
19 retirement system has direct or indirect holdings.

20 These efforts shall include the following, as appropriate
21 in the retirement system's judgment:

22 (1) reviewing and relying on publicly available
23 information regarding firearm manufacturing companies,
24 including information provided by nonprofit organizations,
25 research firms, and government entities;

26 (2) contacting asset managers contracted by the

1 retirement system that invest in firearm manufacturing
2 companies; and

3 (3) contacting other institutional investors that have
4 divested from or engaged with firearm manufacturing
5 companies.

6 The retirement system may retain an independent research
7 firm to identify firearm manufacturing companies in which the
8 retirement system has direct or indirect holdings. By the first
9 meeting of the retirement system following the 90-day period
10 described in this subsection (b), the retirement system shall
11 assemble all identified firearm manufacturing companies into a
12 firearm manufacturing companies list.

13 The retirement system shall update the firearm
14 manufacturing companies list annually based on evolving
15 information from, among other sources, those listed in this
16 subsection (b).

17 (c) The retirement system shall adhere to the following
18 procedures for companies on the firearm manufacturing
19 companies list:

20 (1) The retirement system shall determine the firearm
21 manufacturing companies on the firearm manufacturing
22 companies list in which the retirement system owns direct
23 or indirect holdings.

24 (2) For each company newly identified in item (1) of
25 this subsection (c), the retirement system shall send a
26 written notice informing the firearm manufacturing company

1 of its status and that it may become subject to divestment
2 by the retirement system.

3 (3) If, within 90 days after the retirement system's
4 first engagement with a firearm manufacturing company
5 pursuant to this subsection (c), that company ceases to
6 manufacture firearms, the company shall be removed from the
7 firearm manufacturing companies list and the provisions of
8 this Section shall cease to apply to it unless it resumes
9 manufacturing firearms.

10 (d) If, after 90 days following the retirement system's
11 first engagement with a firearm manufacturing company pursuant
12 to subsection (c), the company continues to manufacture
13 firearms, the retirement system shall sell, redeem, divest, or
14 withdraw all publicly traded securities of the company from the
15 retirement system's assets under management within 12 months
16 after the company's most recent appearance on the firearm
17 manufacturing companies list.

18 (e) The retirement system may not acquire securities of
19 firearm manufacturing companies on the firearm manufacturing
20 companies list.

21 (f) Each retirement system shall file a report with the
22 Public Pension Division of the Department of Financial and
23 Professional Regulation that includes the firearm
24 manufacturing companies list within 30 days after the list is
25 created. This report shall be made available to the public.

26 Each retirement system shall file an annual report with the

1 Public Pension Division, which shall be made available to the
2 public, that includes all of the following:

3 (1) a summary of correspondence with companies engaged
4 by the retirement system under items (2) and (3) of
5 subsection (c);

6 (2) all investments sold, redeemed, divested, or
7 withdrawn in compliance with subsection (d); and

8 (3) all prohibited investments under subsection (e).

9 (g) With respect to actions taken in compliance with this
10 Act, including all good-faith determinations regarding
11 companies as required by this Act, the retirement system is
12 exempt from any conflicting statutory or common law
13 obligations, including any fiduciary duties under this Article
14 and any obligations with respect to choice of asset managers,
15 investment funds, or investments for the retirement system's
16 securities portfolios.

17 (h) If any provision of this Section or its application to
18 any person or circumstance is held invalid, the invalidity of
19 that provision or application does not affect other provisions
20 or applications of this Section that can be given effect
21 without the invalid provision or application.

22 Section 99. Effective date. This Act takes effect upon
23 becoming law.