

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 considered by the public agency or governmental unit as
12 one component of its overall evaluation of investment
13 decisions. Such factors shall include, but not be limited to:
14 (1) corporate governance and leadership factors; (2)
15 environmental factors; (3) social capital factors; (4) human
16 capital factors; and (5) business model and innovation factors.

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

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

25 (b) Sustainability factors include, but are not limited to,

1 the following:

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

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

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

22 (4) Human capital factors that recognize that the
23 workforce is an important asset to delivering long-term
24 value, including factors such as labor practices,
25 responsible contractor and responsible bidder policies,
26 employee health and safety, employee engagement, diversity

1 and inclusion, and incentives and compensation.

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

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

14 (d) Nothing in this Act prohibits a public agency or
15 governmental unit from integrating additional factors into its
16 investment decision-making, investment analysis, portfolio
17 construction, due diligence, and investment ownership of
18 public funds. This Act shall not apply to bank time deposits or
19 bank processing services.

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

22 (15 ILCS 520/22.8)

23 Sec. 22.8. The Treasurer shall develop, publish, and
24 implement an investment policy covering the management of all

1 State funds under his or her control. The investment policy
2 shall be published each year in the Treasurers' annual report
3 as prescribed in Section 15 of the State Treasurer Act (15 ILCS
4 505/15). The policy shall also be published at least once each
5 year in at least one newspaper of general circulation in both
6 Springfield and Chicago. Any such investment policy adopted by
7 the Treasurer shall be reviewed, and updated if necessary,
8 within 90 days following the installation of a new Treasurer.

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

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

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

20 (30 ILCS 235/2.5)

21 Sec. 2.5. Investment policy.

22 (a) Investment of public funds by a public agency shall be
23 governed by a written investment policy adopted by the public
24 agency. The level of detail and complexity of the investment

1 policy shall be appropriate to the nature of the funds, the
2 purpose for the funds, and the amount of the public funds
3 within the investment portfolio. The policy shall address
4 safety of principal, liquidity of funds, and return on
5 investment and shall require that the investment portfolio be
6 structured in such manner as to provide sufficient liquidity to
7 pay obligations as they come due. In addition, the investment
8 policy shall include or address the following:

9 (1) a listing of authorized investments;

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

13 (3) investment guidelines that are appropriate to the
14 nature of the funds, the purpose for the funds, and the
15 amount of the public funds within the investment portfolio;

16 (4) a policy regarding diversification of the
17 investment portfolio that is appropriate to the nature of
18 the funds, the purpose for the funds, and the amount of the
19 public funds within the investment portfolio;

20 (5) guidelines regarding collateral requirements, if
21 any, for the deposit of public funds in a financial
22 institution made pursuant to this Act, and, if applicable,
23 guidelines for contractual arrangements for the custody
24 and safekeeping of that collateral;

25 (6) a policy regarding the establishment of a system of
26 internal controls and written operational procedures

1 designed to prevent losses of funds that might arise from
2 fraud, employee error, misrepresentation by third parties,
3 or imprudent actions by employees of the entity;

4 (7) identification of the chief investment officer who
5 is responsible for establishing the internal controls and
6 written procedures for the operation of the investment
7 program;

8 (8) performance measures that are appropriate to the
9 nature of the funds, the purpose for the funds, and the
10 amount of the public funds within the investment portfolio;

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

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

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

24 (12) a policy regarding ethics and conflicts of
25 interest; and-

26 (13) a policy regarding material, relevant, and

1 decision-useful sustainability factors considered by the
2 agency in evaluating investment decisions, including, but
3 not limited to: (i) corporate governance and leadership
4 factors; (ii) environmental factors; (iii) social capital
5 factors; (iv) human capital factors; and (v) business model
6 and innovation factors, as provided under the Illinois
7 Sustainable Investing Act.

8 (b) For purposes of the State or a county, the investment
9 policy shall be adopted by the elected treasurer and presented
10 to the chief executive officer and the governing body. For
11 purposes of any other public agency, the investment policy
12 shall be adopted by the governing body of the public agency.

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

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

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

18 Section 110. The Illinois Pension Code is amended by
19 changing Section 1-113.6 and by adding Section 1-113.17 as
20 follows:

21 (40 ILCS 5/1-113.6)

22 Sec. 1-113.6. Investment policies. Every board of trustees
23 of a pension fund shall adopt a written investment policy and
24 file a copy of that policy with the Department of Insurance

1 within 30 days after its adoption. Whenever a board changes its
2 investment policy, it shall file a copy of the new policy with
3 the Department within 30 days.

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

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

13 (40 ILCS 5/1-113.17 new)

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

21 The investment policy shall include material, relevant,
22 and decision-useful sustainability factors to be considered by
23 the board, within the bounds of financial and fiduciary
24 prudence, in evaluating investment decisions. Such factors
25 shall include, but are not limited to: (1) corporate governance

1 and leadership factors; (2) environmental factors; (3) social
2 capital factors; (4) human capital factors; and (5) business
3 model and innovation factors, as provided under the Illinois
4 Sustainable Investing Act.