

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 "Financial institution" means a bank, savings bank, or
2 credit union established under the laws of the State of
3 Illinois, another state, or the United States of America.

4 "Governmental unit" has the same meaning as in the Local
5 Government Debt Reform Act.

6 "Investment policy" means a written investment policy
7 adopted by a public agency or governmental unit which addresses
8 safety of principal, liquidity of funds, and return on
9 investment and which requires the investment portfolio be
10 structured in such a manner as to provide sufficient liquidity
11 to pay obligations as they come due.

12 "Public agency" means the State of Illinois, the various
13 counties, townships, cities, towns, villages, school
14 districts, educational service regions, special road
15 districts, public water supply districts, fire protection
16 districts, drainage districts, levee districts, sewer
17 districts, housing authorities, the Illinois Bank Examiners'
18 Education Foundation, the Chicago Park District, and all other
19 political corporations or subdivisions of the State of
20 Illinois, now or hereafter created, whether herein
21 specifically mentioned or not.

22 "Public funds" means current operating funds, special
23 funds, interest and sinking funds, and funds of any kind or
24 character belonging to or in the custody of any public agency.

25 "Sustainability factors" means factors that may have a

1 material and relevant financial impact on the safety or
2 performance of an investment and which are complementary to
3 financial factors and financial accounting.

4 Section 15. Development of sustainable investment
5 policies.

6 (a) Any public agency or governmental unit should develop,
7 publish, and implement sustainable investment policies
8 applicable to the management of all public funds under its
9 control. The sustainable investment policy may be incorporated
10 in existing investment policies developed, published, and
11 implemented by a public agency or governmental unit.

12 (b) The sustainable investment policy should include
13 material, relevant, and decision-useful sustainability factors
14 to be considered by the public agency or governmental unit as
15 one component of its overall evaluation of investment
16 decisions. Such factors may include, but are not be limited to:
17 (1) corporate governance and leadership factors; (2)
18 environmental factors; (3) social capital factors; (4) human
19 capital factors; and (5) business model and innovation factors.

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

22 (a) A public agency shall prudently integrate
23 sustainability factors into its investment decision-making,
24 investment analysis, portfolio construction, due diligence,

1 and investment ownership in order to maximize anticipated
2 financial returns, minimize projected risk, and more
3 effectively execute its fiduciary duty.

4 (b) Sustainability factors may include, but are not limited
5 to, the following:

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

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

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

26 (4) Human capital factors that recognize that the

1 workforce is an important asset to delivering long-term
2 value, including factors such as labor practices,
3 responsible contractor and responsible bidder policies,
4 employee health and safety, employee engagement, diversity
5 and inclusion, and incentives and compensation.

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

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

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

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

1 (15 ILCS 520/22.8)

2 Sec. 22.8. The Treasurer shall develop, publish, and
3 implement an investment policy covering the management of all
4 State funds under his or her control. The investment policy
5 shall be published each year in the Treasurers' annual report
6 as prescribed in Section 15 of the State Treasurer Act (15 ILCS
7 505/15). The policy shall also be published at least once each
8 year in at least one newspaper of general circulation in both
9 Springfield and Chicago. Any such investment policy adopted by
10 the Treasurer shall be reviewed, and updated if necessary,
11 within 90 days following the installation of a new Treasurer.

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

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

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

23 (30 ILCS 235/2.5)

1 Sec. 2.5. Investment policy.

2 (a) Investment of public funds by a public agency shall be
3 governed by a written investment policy adopted by the public
4 agency. The level of detail and complexity of the investment
5 policy shall be appropriate to the nature of the funds, the
6 purpose for the funds, and the amount of the public funds
7 within the investment portfolio. The policy shall address
8 safety of principal, liquidity of funds, and return on
9 investment and shall require that the investment portfolio be
10 structured in such manner as to provide sufficient liquidity to
11 pay obligations as they come due. In addition, the investment
12 policy shall include or address the following:

13 (1) a listing of authorized investments;

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

17 (3) investment guidelines that are appropriate to the
18 nature of the funds, the purpose for the funds, and the
19 amount of the public funds within the investment portfolio;

20 (4) a policy regarding diversification of the
21 investment portfolio that is appropriate to the nature of
22 the funds, the purpose for the funds, and the amount of the
23 public funds within the investment portfolio;

24 (5) guidelines regarding collateral requirements, if
25 any, for the deposit of public funds in a financial
26 institution made pursuant to this Act, and, if applicable,

1 guidelines for contractual arrangements for the custody
2 and safekeeping of that collateral;

3 (6) a policy regarding the establishment of a system of
4 internal controls and written operational procedures
5 designed to prevent losses of funds that might arise from
6 fraud, employee error, misrepresentation by third parties,
7 or imprudent actions by employees of the entity;

8 (7) identification of the chief investment officer who
9 is responsible for establishing the internal controls and
10 written procedures for the operation of the investment
11 program;

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

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

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

26 (11) a policy regarding the selection of investment

1 advisors, money managers, and financial institutions; and

2 (12) a policy regarding ethics and conflicts of
3 interest.

4 (a-5) The investment policy shall include a statement that
5 material, relevant, and decision-useful sustainability factors
6 have been or are regularly considered by the agency, within the
7 bounds of financial and fiduciary prudence, in evaluating
8 investment decisions. Such factors include, but are not limited
9 to: (i) corporate governance and leadership factors; (ii)
10 environmental factors; (iii) social capital factors; (iv)
11 human capital factors; and (v) business model and innovation
12 factors, as provided under the Illinois Sustainable Investing
13 Act.

14 (b) For purposes of the State or a county, the investment
15 policy shall be adopted by the elected treasurer and presented
16 to the chief executive officer and the governing body. For
17 purposes of any other public agency, the investment policy
18 shall be adopted by the governing body of the public agency.

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

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

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

24 Section 110. The Illinois Pension Code is amended by
25 changing Section 1-113.6 and by adding Section 1-113.17 as

1 follows:

2 (40 ILCS 5/1-113.6)

3 Sec. 1-113.6. Investment policies. Every board of trustees
4 of a pension fund shall adopt a written investment policy and
5 file a copy of that policy with the Department of Insurance
6 within 30 days after its adoption. Whenever a board changes its
7 investment policy, it shall file a copy of the new policy with
8 the Department within 30 days.

9 The investment policy shall include a statement that
10 material, relevant, and decision-useful sustainability factors
11 have been or are regularly considered by the board, within the
12 bounds of financial and fiduciary prudence, in evaluating
13 investment decisions. Such factors include, but are not limited
14 to: (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 as provided under the Illinois Sustainable Investing Act.

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

19 (40 ILCS 5/1-113.17 new)

20 Sec. 1-113.17. Investment sustainability. Every retirement
21 system, pension fund, or investment board subject to this Code
22 shall adopt a written investment policy and file a copy of that
23 policy with the Department of Insurance within 30 days after
24 its adoption. Whenever a board changes its investment policy,

1 it shall file a copy of the new policy with the Department
2 within 30 days.

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