HB3037

LRB103 30175 RPS 56603 b

103RD GENERAL ASSEMBLY

State of Illinois

2023 and 2024

HB3037

Introduced 2/16/2023, by Rep. Will Guzzardi

SYNOPSIS AS INTRODUCED:

40 ILCS 5/1-110.18 new
30 ILCS 805/8.47 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.

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STATE MANDATES
ACT MAY REQUIRE
REIMBURSEMENT

A BILL FOR

AN ACT concerning public employee benefits.

Be it enacted by the People of the State of Illinois, represented in the General Assembly:

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

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

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

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

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

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

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

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

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

Section 10. The Illinois Pension Code is amended by adding

Section 1-110.18 as follows:

(40 ILCS 5/1-110.18 new)

Sec. 1-110.18. Fossil fuel investment prohibited.

(a) In this Section:

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

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

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

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

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

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

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

(d) Beginning one year after the effective date of this amendatory Act of the 103rd General Assembly, subject to an affirmative determination of prudence, and in accordance with sound investment criteria and consistent with its fiduciary obligations, each 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.

(e) Each pension system shall review the extent to which the assets of the pension system are invested in the stocks, securities, or other obligations of any fossil fuel company or any subsidiary, affiliate, or parent of any fossil fuel company. The board of trustees of a pension system shall, in accordance with sound investment criteria and consistent with fiduciary obligations, divest any such holdings. Divestment pursuant to this subsection must be completed by January 1, 2028. Nothing in this subsection precludes de minimis exposure of any funds held by the board to the stocks, securities, or other obligations of any fossil fuel company or any subsidiary, affiliate, or parent of any fossil fuel company.

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

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

(h) Beginning January 1, 2024 and annually thereafter, each pension system shall issue a report reviewing its environmental, social, and governance investment policy. The report must disclose commonly available environmental performance metrics on the environmental effects of the pension system's investments.

Section 90. The State Mandates Act is amended by adding Section 8.47 as follows:

(30 ILCS 805/8.47 new)

Sec. 8.47. Exempt mandate. Notwithstanding Sections 6 and 8 of this Act, no reimbursement by the State is required for the implementation of any mandate created by this amendatory Act of the 103rd General Assembly.

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