



Rep. Sara Feigenholtz

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LRB099 11218 EFG 34525 a

1 AMENDMENT TO HOUSE BILL 4011

2 AMENDMENT NO. \_\_\_\_\_. Amend House Bill 4011 by replacing  
3 everything after the enacting clause with the following:

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; companies that boycott Israel, Iran-restricted  
9 companies, and Sudan-restricted companies.

10 (a) As used in this Section:

11 "Boycott Israel" means engaging in actions that are  
12 politically motivated and are intended to penalize,  
13 inflict economic harm on, or otherwise limit commercial  
14 relations with the State of Israel or companies based in  
15 the State of Israel or in territories controlled by the  
16 State of Israel.

1           "Company" means any sole proprietorship, organization,  
2           association, corporation, partnership, joint venture,  
3           limited partnership, limited liability partnership,  
4           limited liability company, or other entity or business  
5           association, including all wholly owned subsidiaries,  
6           majority-owned subsidiaries, parent companies, or  
7           affiliates of those entities or business associations,  
8           that exist for the purpose of making profit.

9           "Illinois Investment Policy Board" means the board  
10           established under subsection (b) of this Section.

11           "Direct holdings" in a company means all publicly  
12           traded securities of that company that are held directly by  
13           the retirement system in an actively managed account or  
14           fund in which the retirement system owns all shares or  
15           interests.

16           "Indirect holdings" in a company means all securities  
17           of that company that are held in an account or fund, such  
18           as a mutual fund, managed by one or more persons not  
19           employed by the retirement system, in which the retirement  
20           system owns shares or interests together with other  
21           investors not subject to the provisions of this Section or  
22           that are held in an index fund.

23           "Iran-restricted company" means a company that meets  
24           the qualifications under Section 1-110.15 of this Code.

25           "Private market fund" means any private equity fund,  
26           private equity funds of funds, venture capital fund, hedge

1       fund, hedge fund of funds, real estate fund, or other  
2       investment vehicle that is not publicly traded.

3       "Restricted companies" means companies that boycott  
4       Israel, Iran-restricted companies, and Sudan-restricted  
5       companies.

6       "Retirement system" means a retirement system  
7       established under Article 2, 14, 15, 16, or 18 of this Code  
8       or the Illinois State Board of Investment.

9       "Sudan-restricted company" means a company that meets  
10       the qualifications under Section 1-110.6 of this Code.

11       (b) There shall be established an Illinois Investment  
12       Policy Board. The Illinois Investment Policy Board shall  
13       consist of 7 members. Each board of a pension fund or  
14       investment board created under Article 15, 16, or 22A of this  
15       Code shall appoint one member, and the Governor shall appoint 4  
16       members.

17       (c) Notwithstanding any provision of law to the contrary,  
18       beginning January 1, 2016, Sections 110.15 and 1-110.6 of this  
19       Code shall be administered in accordance with this Section.

20       (d) By April 1, 2016, the Illinois Investment Policy Board  
21       shall make its best efforts to identify all Iran-restricted  
22       companies, Sudan-restricted companies, and companies that  
23       boycott Israel and assemble those identified companies into a  
24       list of restricted companies, to be distributed to each  
25       retirement system.

26       These efforts shall include the following, as appropriate

1 in the Illinois Investment Policy Board's judgment:

2 (1) reviewing and relying on publicly available  
3 information regarding Iran-restricted companies,  
4 Sudan-restricted companies, and companies that boycott  
5 Israel, including information provided by nonprofit  
6 organizations, research firms, and government entities;

7 (2) contacting asset managers contracted by the  
8 retirement systems that invest in Iran-restricted  
9 companies, Sudan-restricted companies, and companies that  
10 boycott Israel;

11 (3) contacting other institutional investors that have  
12 divested from or engaged with Iran-restricted companies,  
13 Sudan-restricted companies, and companies that boycott  
14 Israel; and

15 (4) retaining an independent research firm to identify  
16 Iran-restricted companies, Sudan-restricted companies, and  
17 companies that boycott Israel.

18 The Illinois Investment Policy Board shall review the list  
19 of restricted companies on a quarterly basis based on evolving  
20 information from, among other sources, those listed in this  
21 subsection (d) and distribute any updates to the list of  
22 restricted companies to the retirement systems.

23 (e) The Illinois Investment Policy Board shall adhere to  
24 the following procedures for companies on the list of  
25 restricted companies:

26 (1) For each company newly identified in subsection

1       (d), the Illinois Investment Policy Board shall send a  
2       written notice informing the company of its status and that  
3       it may become subject to divestment by the retirement  
4       systems.

5       (2) If, following the Illinois Investment Policy  
6       Board's engagement pursuant to this subsection (e) with a  
7       restricted company, that company ceases activity that  
8       designates the company to be an Iran-restricted company, a  
9       Sudan-restricted company, or a company that boycotts  
10      Israel, the company shall be removed from the list of  
11      restricted companies and the provisions of this Section  
12      shall cease to apply to it unless it resumes such  
13      activities.

14      (f) The retirement system shall adhere to the following  
15      procedures for companies on the list of restricted companies:

16      (1) The retirement system shall identify those  
17      companies on the list of restricted companies in which the  
18      retirement system owns direct holdings and indirect  
19      holdings.

20      (2) The retirement system shall instruct its  
21      investment advisors to sell, redeem, divest, or withdraw  
22      all direct holdings of restricted companies from the  
23      retirement system's assets under management in an orderly  
24      and fiduciarily responsible manner within 12 months after  
25      the company's most recent appearance on the list of  
26      restricted companies.

1           (3) The retirement system may not acquire securities of  
2           restricted companies.

3           (4) The provisions of this subsection (f) do not apply  
4           to the retirement system's indirect holdings or private  
5           market funds. The Illinois Investment Policy Board shall  
6           submit letters to the managers of those investment funds  
7           containing restricted companies requesting that they  
8           consider removing the companies from the fund or create a  
9           similar actively managed fund having indirect holdings  
10           devoid of the companies. If the manager creates a similar  
11           fund, the retirement system shall replace all applicable  
12           investments with investments in the similar fund in an  
13           expedited timeframe consistent with prudent investing  
14           standards.

15           (g) Upon request, and at least annually, each retirement  
16           system shall provide the Illinois Investment Policy Board with  
17           information regarding investments sold, redeemed, divested, or  
18           withdrawn in compliance with this Section.

19           (h) Notwithstanding any provision of this Section to the  
20           contrary, a retirement system may cease divesting from  
21           companies pursuant to subsection (f) if clear and convincing  
22           evidence shows that the value of investments in such companies  
23           becomes equal to or less than 0.5% of the market value of all  
24           assets under management by the retirement system. For any  
25           cessation of divestment authorized by this subsection (h), the  
26           retirement system shall provide a written notice to the

1 Illinois Investment Policy Board in advance of the cessation of  
2 divestment, setting forth the reasons and justification,  
3 supported by clear and convincing evidence, for its decision to  
4 cease divestment under subsection (f).

5 (i) The cost associated with the activities of the Illinois  
6 Investment Policy Board shall be borne by the boards of each  
7 pension fund or investment board created under Article 15, 16,  
8 or 22A of this Code.

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

17 (k) It is not the intent of the General Assembly in  
18 enacting this amendatory Act of the 99th General Assembly to  
19 cause divestiture from any company based in the United States  
20 of America. The Illinois Investment Policy Board shall consider  
21 this intent when developing or reviewing the list of restricted  
22 companies.

23 (l) If any provision of this amendatory Act of the 99th  
24 General Assembly or its application to any person or  
25 circumstance is held invalid, the invalidity of that provision  
26 or application does not affect other provisions or applications

1 of this amendatory Act of the 99th General Assembly that can be  
2 given effect without the invalid provision or application.

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