

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 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.

17 "Company" means any sole proprietorship, organization,
18 association, corporation, partnership, joint venture,
19 limited partnership, limited liability partnership,
20 limited liability company, or other entity or business
21 association, including all wholly owned subsidiaries,
22 majority-owned subsidiaries, parent companies, or
23 affiliates of those entities or business associations,

1 that exist for the purpose of making profit.

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

4 "Direct holdings" in a company means all publicly
5 traded securities of that company that are held directly by
6 the retirement system in an actively managed account or
7 fund in which the retirement system owns all shares or
8 interests.

9 "Indirect holdings" in a company means all securities
10 of that company that are held in an account or fund, such
11 as a mutual fund, managed by one or more persons not
12 employed by the retirement system, in which the retirement
13 system owns shares or interests together with other
14 investors not subject to the provisions of this Section or
15 that are held in an index fund.

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

18 "Private market fund" means any private equity fund,
19 private equity funds of funds, venture capital fund, hedge
20 fund, hedge fund of funds, real estate fund, or other
21 investment vehicle that is not publicly traded.

22 "Restricted companies" means companies that boycott
23 Israel, Iran-restricted companies, and Sudan-restricted
24 companies.

25 "Retirement system" means a retirement system
26 established under Article 2, 14, 15, 16, or 18 of this Code

1 or the Illinois State Board of Investment.

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

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

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

13 (d) By April 1, 2016, the Illinois Investment Policy Board
14 shall make its best efforts to identify all Iran-restricted
15 companies, Sudan-restricted companies, and companies that
16 boycott Israel and assemble those identified companies into a
17 list of restricted companies, to be distributed to each
18 retirement system.

19 These efforts shall include the following, as appropriate
20 in the Illinois Investment Policy Board's judgment:

21 (1) reviewing and relying on publicly available
22 information regarding Iran-restricted companies,
23 Sudan-restricted companies, and companies that boycott
24 Israel, including information provided by nonprofit
25 organizations, research firms, and government entities;

26 (2) contacting asset managers contracted by the

1 retirement systems that invest in Iran-restricted
2 companies, Sudan-restricted companies, and companies that
3 boycott Israel;

4 (3) contacting other institutional investors that have
5 divested from or engaged with Iran-restricted companies,
6 Sudan-restricted companies, and companies that boycott
7 Israel; and

8 (4) retaining an independent research firm to identify
9 Iran-restricted companies, Sudan-restricted companies, and
10 companies that boycott Israel.

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

16 (e) The Illinois Investment Policy Board shall adhere to
17 the following procedures for companies on the list of
18 restricted companies:

19 (1) For each company newly identified in subsection
20 (d), the Illinois Investment Policy Board shall send a
21 written notice informing the company of its status and that
22 it may become subject to divestment by the retirement
23 systems.

24 (2) If, following the Illinois Investment Policy
25 Board's engagement pursuant to this subsection (e) with a
26 restricted company, that company ceases activity that

1 designates the company to be an Iran-restricted company, a
2 Sudan-restricted company, or a company that boycotts
3 Israel, the company shall be removed from the list of
4 restricted companies and the provisions of this Section
5 shall cease to apply to it unless it resumes such
6 activities.

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

9 (1) The retirement system shall identify those
10 companies on the list of restricted companies in which the
11 retirement system owns direct holdings and indirect
12 holdings.

13 (2) The retirement system shall instruct its
14 investment advisors to sell, redeem, divest, or withdraw
15 all direct holdings of restricted companies from the
16 retirement system's assets under management in an orderly
17 and fiduciarily responsible manner within 12 months after
18 the company's most recent appearance on the list of
19 restricted companies.

20 (3) The retirement system may not acquire securities of
21 restricted companies.

22 (4) The provisions of this subsection (f) do not apply
23 to the retirement system's indirect holdings or private
24 market funds. The Illinois Investment Policy Board shall
25 submit letters to the managers of those investment funds
26 containing restricted companies requesting that they

1 consider removing the companies from the fund or create a
2 similar actively managed fund having indirect holdings
3 devoid of the companies. If the manager creates a similar
4 fund, the retirement system shall replace all applicable
5 investments with investments in the similar fund in an
6 expedited timeframe consistent with prudent investing
7 standards.

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

12 (h) Notwithstanding any provision of this Section to the
13 contrary, a retirement system may cease divesting from
14 companies pursuant to subsection (f) if clear and convincing
15 evidence shows that the value of investments in such companies
16 becomes equal to or less than 0.5% of the market value of all
17 assets under management by the retirement system. For any
18 cessation of divestment authorized by this subsection (h), the
19 retirement system shall provide a written notice to the
20 Illinois Investment Policy Board in advance of the cessation of
21 divestment, setting forth the reasons and justification,
22 supported by clear and convincing evidence, for its decision to
23 cease divestment under subsection (f).

24 (i) The cost associated with the activities of the Illinois
25 Investment Policy Board shall be borne by the boards of each
26 pension fund or investment board created under Article 15, 16,

1 or 22A of this Code.

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

10 (k) It is not the intent of the General Assembly in
11 enacting this amendatory Act of the 99th General Assembly to
12 cause divestiture from any company based in the United States
13 of America. The Illinois Investment Policy Board shall consider
14 this intent when developing or reviewing the list of restricted
15 companies.

16 (l) If any provision of this amendatory Act of the 99th
17 General Assembly or its application to any person or
18 circumstance is held invalid, the invalidity of that provision
19 or application does not affect other provisions or applications
20 of this amendatory Act of the 99th General Assembly that can be
21 given effect without the invalid provision or application.

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