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| **Public Act 099-0128**  |
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| SB1761 Enrolled | LRB099 10953 RPS 31300 b |

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|     AN ACT concerning finance.   |  |  |
|     **Be it enacted by the People of the State of Illinois,** |  |  |
| **represented in the General Assembly:**   |  |  |
|     Section 5. The Illinois Pension Code is amended by adding |  |  |
| Section 1-110.16 as follows:  |  |  |
|     (40 ILCS 5/1-110.16 new) |  |  |
|     Sec. 1-110.16. Transactions prohibited by retirement |  |  |
| systems; companies that boycott Israel, Iran-restricted |  |  |
| companies, and Sudan-restricted companies. |  |  |
|     (a) As used in this Section: |  |  |
|         "Boycott Israel" means engaging in actions that are |  |  |
|     politically motivated and are intended to penalize, |  |  |
|     inflict economic harm on, or otherwise limit commercial |  |  |
|     relations with the State of Israel or companies based in |  |  |
|     the State of Israel or in territories controlled by the |  |  |
|     State of Israel. |  |  |
|         "Company" means any sole proprietorship, organization, |  |  |
|     association, corporation, partnership, joint venture, |  |  |
|     limited partnership, limited liability partnership, |  |  |
|     limited liability company, or other entity or business |  |  |
|     association, including all wholly owned subsidiaries, |  |  |
|     majority-owned subsidiaries, parent companies, or |  |  |
|     affiliates of those entities or business associations, |  |  |

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|     that exist for the purpose of making profit. |  |  |
|         "Illinois Investment Policy Board" means the board |  |  |
|     established under subsection (b) of this Section. |  |  |
|         "Direct holdings" in a company means all publicly |  |  |
|     traded securities of that company that are held directly by |  |  |
|     the retirement system in an actively managed account or |  |  |
|     fund in which the retirement system owns all shares or |  |  |
|     interests. |  |  |
|         "Indirect holdings" in a company means all securities |  |  |
|     of that company that are held in an account or fund, such |  |  |
|     as a mutual fund, managed by one or more persons not |  |  |
|     employed by the retirement system, in which the retirement |  |  |
|     system owns shares or interests together with other |  |  |
|     investors not subject to the provisions of this Section or |  |  |
|     that are held in an index fund. |  |  |
|         "Iran-restricted company" means a company that meets |  |  |
|     the qualifications under Section 1-110.15 of this Code. |  |  |
|         "Private market fund" means any private equity fund, |  |  |
|     private equity funds of funds, venture capital fund, hedge |  |  |
|     fund, hedge fund of funds, real estate fund, or other |  |  |
|     investment vehicle that is not publicly traded. |  |  |
|         "Restricted companies" means companies that boycott |  |  |
|     Israel, Iran-restricted companies, and Sudan-restricted |  |  |
|     companies. |  |  |
|         "Retirement system" means a retirement system |  |  |
|     established under Article 2, 14, 15, 16, or 18 of this Code |  |  |

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|     or the Illinois State Board of Investment. |  |  |
|         "Sudan-restricted company" means a company that meets |  |  |
|     the qualifications under Section 1-110.6 of this Code. |  |  |
|     (b) There shall be established an Illinois Investment |  |  |
| Policy Board. The Illinois Investment Policy Board shall |  |  |
| consist of 7 members. Each board of a pension fund or |  |  |
| investment board created under Article 15, 16, or 22A of this |  |  |
| Code shall appoint one member, and the Governor shall appoint 4 |  |  |
| members. |  |  |
|     (c) Notwithstanding any provision of law to the contrary, |  |  |
| beginning January 1, 2016, Sections 110.15 and 1-110.6 of this |  |  |
| Code shall be administered in accordance with this Section. |  |  |
|     (d) By April 1, 2016, the Illinois Investment Policy Board |  |  |
| shall make its best efforts to identify all Iran-restricted |  |  |
| companies, Sudan-restricted companies, and companies that |  |  |
| boycott Israel and assemble those identified companies into a |  |  |
| list of restricted companies, to be distributed to each |  |  |
| retirement system. |  |  |
|     These efforts shall include the following, as appropriate |  |  |
| in the Illinois Investment Policy Board's judgment: |  |  |
|         (1) reviewing and relying on publicly available |  |  |
|     information regarding Iran-restricted companies, |  |  |
|     Sudan-restricted companies, and companies that boycott |  |  |
|     Israel, including information provided by nonprofit |  |  |
|     organizations, research firms, and government entities; |  |  |
|         (2) contacting asset managers contracted by the |  |  |

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|     retirement systems that invest in Iran-restricted |  |  |
|     companies, Sudan-restricted companies, and companies that |  |  |
|     boycott Israel; |  |  |
|         (3) contacting other institutional investors that have |  |  |
|     divested from or engaged with Iran-restricted companies, |  |  |
|     Sudan-restricted companies, and companies that boycott |  |  |
|     Israel; and |  |  |
|         (4) retaining an independent research firm to identify |  |  |
|     Iran-restricted companies, Sudan-restricted companies, and |  |  |
|     companies that boycott Israel. |  |  |
|     The Illinois Investment Policy Board shall review the list |  |  |
| of restricted companies on a quarterly basis based on evolving |  |  |
| information from, among other sources, those listed in this |  |  |
| subsection (d) and distribute any updates to the list of |  |  |
| restricted companies to the retirement systems. |  |  |
|     (e) The Illinois Investment Policy Board shall adhere to |  |  |
| the following procedures for companies on the list of |  |  |
| restricted companies: |  |  |
|         (1) For each company newly identified in subsection |  |  |
|     (d), the Illinois Investment Policy Board shall send a |  |  |
|     written notice informing the company of its status and that |  |  |
|     it may become subject to divestment by the retirement |  |  |
|     systems. |  |  |
|         (2) If, following the Illinois Investment Policy |  |  |
|     Board's engagement pursuant to this subsection (e) with a |  |  |
|     restricted company, that company ceases activity that |  |  |

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|     designates the company to be an Iran-restricted company, a |  |  |
|     Sudan-restricted company, or a company that boycotts |  |  |
|     Israel, the company shall be removed from the list of |  |  |
|     restricted companies and the provisions of this Section |  |  |
|     shall cease to apply to it unless it resumes such |  |  |
|     activities. |  |  |
|     (f) The retirement system shall adhere to the following |  |  |
| procedures for companies on the list of restricted companies: |  |  |
|         (1) The retirement system shall identify those |  |  |
|     companies on the list of restricted companies in which the |  |  |
|     retirement system owns direct holdings and indirect |  |  |
|     holdings. |  |  |
|         (2) The retirement system shall instruct its |  |  |
|     investment advisors to sell, redeem, divest, or withdraw |  |  |
|     all direct holdings of restricted companies from the |  |  |
|     retirement system's assets under management in an orderly |  |  |
|     and fiduciarily responsible manner within 12 months after |  |  |
|     the company's most recent appearance on the list of |  |  |
|     restricted companies. |  |  |
|         (3) The retirement system may not acquire securities of |  |  |
|     restricted companies. |  |  |
|         (4) The provisions of this subsection (f) do not apply |  |  |
|     to the retirement system's indirect holdings or private |  |  |
|     market funds. The Illinois Investment Policy Board shall |  |  |
|     submit letters to the managers of those investment funds |  |  |
|     containing restricted companies requesting that they |  |  |

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|     consider removing the companies from the fund or create a |  |  |
|     similar actively managed fund having indirect holdings |  |  |
|     devoid of the companies. If the manager creates a similar |  |  |
|     fund, the retirement system shall replace all applicable |  |  |
|     investments with investments in the similar fund in an |  |  |
|     expedited timeframe consistent with prudent investing |  |  |
|     standards. |  |  |
|     (g) Upon request, and at least annually, each retirement |  |  |
| system shall provide the Illinois Investment Policy Board with |  |  |
| information regarding investments sold, redeemed, divested, or |  |  |
| withdrawn in compliance with this Section. |  |  |
|     (h) Notwithstanding any provision of this Section to the |  |  |
| contrary, a retirement system may cease divesting from |  |  |
| companies pursuant to subsection (f) if clear and convincing |  |  |
| evidence shows that the value of investments in such companies |  |  |
| becomes equal to or less than 0.5% of the market value of all |  |  |
| assets under management by the retirement system. For any |  |  |
| cessation of divestment authorized by this subsection (h), the |  |  |
| retirement system shall provide a written notice to the |  |  |
| Illinois Investment Policy Board in advance of the cessation of |  |  |
| divestment, setting forth the reasons and justification, |  |  |
| supported by clear and convincing evidence, for its decision to |  |  |
| cease divestment under subsection (f). |  |  |
|     (i) The cost associated with the activities of the Illinois |  |  |
| Investment Policy Board shall be borne by the boards of each |  |  |
| pension fund or investment board created under Article 15, 16, |  |  |

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| or 22A of this Code. |  |  |
|     (j) With respect to actions taken in compliance with this |  |  |
| Section, including all good-faith determinations regarding |  |  |
| companies as required by this Section, the retirement system |  |  |
| and Illinois Investment Policy Board are exempt from any |  |  |
| conflicting statutory or common law obligations, including any |  |  |
| fiduciary duties under this Article and any obligations with |  |  |
| respect to choice of asset managers, investment funds, or |  |  |
| investments for the retirement system's securities portfolios. |  |  |
|     (k) It is not the intent of the General Assembly in |  |  |
| enacting this amendatory Act of the 99th General Assembly to |  |  |
| cause divestiture from any company based in the United States |  |  |
| of America. The Illinois Investment Policy Board shall consider |  |  |
| this intent when developing or reviewing the list of restricted |  |  |
| companies. |  |  |
|     (l) If any provision of this amendatory Act of the 99th |  |  |
| General Assembly or its application to any person or |  |  |
| circumstance is held invalid, the invalidity of that provision |  |  |
| or application does not affect other provisions or applications |  |  |
| of this amendatory Act of the 99th General Assembly that can be |  |  |
| given effect without the invalid provision or application.   |  |  |
|     Section 99. Effective date. This Act takes effect upon |  |  |
| becoming law. |  |  |