



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **HB 2427**

February 28, 2023

SPONSOR (S): Lilly

SYSTEM: General Provisions (All Funds)

FISCAL IMPACT

The fiscal impact of HB 2427 is not known, as the impact of the development of a climate change risk minimization policy is not known. The bill does not require divestiture of any particular class of assets. SURS claims that the system has already adopted Sustainable Investing Principles into their general investment policy, but they could not provide any dollar amount associated with the climate change policy development mandate that HB 2427 would implement.

SUBJECT MATTER: HB 2427 amends the General Provisions Article of the Pension Code. This bill requires all pension funds, except for the Downstate Police and Downstate Firefighters funds, to develop a climate change risk minimization policy.

COMMENTS: Current law provides that the investment portfolios of the pension funds must be diversified to reduce risk and names several types of companies that the funds may not invest in, including companies that boycott Israel, for-profit companies that contract to shelter migrant children, Iran-restricted companies, Sudan-restricted companies, expatriated entities, companies that are domiciled or have their principal place of business in Russia or Belarus, and companies that are subject to Russian Harmful Foreign Activities Sanctions.

HB 2427 provides that, beginning December 31, 2023, all pension funds, except for the Downstate Police and Downstate Firefighter funds, must develop a climate change risk minimization policy to consider the financial risk to the pension fund's investments associated with climate change, as defined by the United Nations Framework Convention on Climate Change. When developing the initial policy, the National Association of Insurance Commissioners' Insurer Climate Risk Disclosure Survey shall be used as a model. The policy

shall consider the scope of the financial risk and financial impact of these climate-related events, including, but not limited to, severe drought, coastal flooding, and more intense hurricanes, on the holdings of the pension fund.

If the pertinent pension fund determines, based on insurance company projections and other official sources of data, that increasing climate change is a significant financial risk to the long-term value of the pension fund, the bill provides that the pension funds may determine a policy for all corporate equities held by the pension fund on voting for shareholder resolutions and directors to advance corporate policies that minimize the long-term risk to the pension fund's assets from increased climate change. The policy shall be updated annually.

GR:bs

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