



## Commission on Government Forecasting and Accountability

### **PENSION IMPACT NOTE** *103<sup>RD</sup> General Assembly*

**BILL NO:** HB 2984

February 28, 2023

**SPONSOR (S):** Wilhour

**SYSTEM:** General Provisions Article (Illinois Investment Policy Board; i.e., All Five State Systems)

---

#### **FISCAL IMPACT**

**SURS notes that the Office of Foreign Assets Control (OFAC) of the US Department of the Treasury currently applies sanctions to companies associated with the Chinese military-industrial complex which prohibits investment managers nationwide from these types of investments. SURS currently prohibits investment managers from purchasing securities on the OFAC list. It is unclear what the net impact of this legislation will be given the aforementioned federal prohibitions that are currently in place. As of this writing, the State Board of Investment has not yet given a response on the potential impact of the legislation. An inquiry has been made of TRS as well. An updated impact note will be issued when more information becomes available.**

---

**SUBJECT MATTER:** HB 2984 amends the General Provisions Article of the Illinois Pension Code by adding provisions designating the People's Republic of China as a prohibited investment partner for the retirement systems and Illinois State Board of Investment.

**COMMENT:** Public Act 99-0128 established the Illinois Investment Policy Board (IIPB) to ensure investment of money by the five State systems does not occur with companies and entities considered to be restricted by Illinois law. The IIPB maintains a quarterly list of restricted companies that are distributed to each of the five systems via the State Board of Investment (the entity that handles the investments for the five State-funded systems). Using this list, the IIPB contacts each company or entity to inform them of their standing with the state and updates the list as needed.

The current definition of "retirement systems" from which these transactions are prohibited, however, applies to retirement systems established in Articles 2 (General Assembly Retirement System), 14 (State Employees Retirement System), 15 (State Universities Retirement System),

16 (Teachers' Retirement System of the State of Illinois), and 18 (Judges Retirement System of Illinois), as well as the Illinois State Board of Investment. The State Board of Investment is the investment entity for SERS, GARS, and JRS.

Under current law, pension funds governed under the Illinois Pension Code are prohibited from transacting with the following entities:

- 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 2984 would add a "company that is subject to Chinese Military-Industrial Complex Companies Sanctions" which is defined in the bill as a company that is subject to:

- Sanctions under the federal Chinese Military-Industrial Complex Companies Sanctions Regulations (31 CFR Part 586);
- Any Presidential Executive Order imposing sanctions against the People's Republic of China or the Chinese Communist Party; and
- Any federal directive issued pursuant to any such Executive Order.

HB 2984 also adds "companies that are domiciled or have their principal place of business in the People's Republic of China, and companies that are subject to Chinese Military-Industrial Complex Companies Sanctions" to the list of "restricted companies."

No later than 6 months after enactment, HB 2984 would require the use of best efforts from funds under the divestiture purview of the Illinois Investment Policy Board to identify all companies that are domiciled or have their principal place of business in the People's Republic of China and companies that are subject to Chinese Military-Industrial Complex Companies Sanctions.

When the provisions in the bill take effect, investment of monies by retirement systems in Chinese Communist Party sovereign debt, Chinese Communist Party-backed securities, or any entity domiciled in the People's Republic of China or subject to the Chinese Military-Industrial Complex Companies Sanctions shall be prohibited. In addition to prohibiting further investment, divestment of all investments currently made within these newly prohibited entities is required after enactment of the bill. A retirement system may cease divestment if clear and convincing evidence shows that the value of investments in such restricted entities becomes equal to or less than 0.05% of the market value of all assets under management by the retirement system.

ZH:bs

LRB103 29864 RPS 56273 b