



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: HB 3037

February 28, 2023

SPONSOR (S): Guzzardi

SYSTEM: General Provisions (GARS, Chicago Police, Chicago Fire, IMRF, Chicago Municipal, Chicago Laborers, SERS, TRS, and JRS)

FISCAL IMPACT

The fiscal impact of HB 3037 is not known, as the fiscal impact of divesting from fossil fuel companies cannot be calculated. SERS 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 prohibition on investing in fossil fuel companies that HB 3037 would implement.

SUBJECT MATTER: HB 3037 amends the General Provisions Article of the Pension Code. This bill prohibits certain pension funds from investing in fossil fuel companies and requires the systems to issue an annual report reviewing its environmental, social, and governance (ESG) investment policy. The pension funds impacted by this bill are the General Assembly Retirement System, Chicago Police, Chicago Fire, IMRF, Chicago Municipal, Chicago Laborers, SERS, TRS, and the Judges Retirement System.

COMMENTS: Current law provides that the investment portfolios of the pension funds governed under the General Provisions Article must be diversified to reduce risk and specifies several types of companies that the funds may not invest in, as listed below:

- Companies that boycott Israel;
- For-profit companies that contract to shelter migrant children;
- Iran-restricted companies;
- Sudan-restricted companies;
- 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 3037 provides that affected pension funds will be prohibited from investing any assets in the stocks, securities, or other obligations of any fossil fuel company or any subsidiary, affiliate, or parent of any fossil fuel company. Indirect investment vehicles are permitted to the extent that the pertinent board of trustees is satisfied that the investment vehicle in question does not have more than 2% of its assets invested in coal, oil, or gas producers. Divestment pursuant to this subsection must be completed by January 1, 2028. On a quarterly basis, each pension system shall post publicly its holdings in the public market and private equity investments. Beginning January 1, 2024, each pension system must issue an annual report reviewing its environmental, social, and governance investment policy.

The bill defines “fossil fuel company” as any company that (1) is among the 200 publicly traded companies with the largest fossil fuel reserves in the world; (2) is among the 30 largest public company owners in the world of coal-fired power plants; (3) has as its core business the construction or operation of fossil fuel infrastructure; (4) has as its core business the exploration, extraction, refining, processing, or distribution of fossil fuels; or (5) that receives more than 20% of its gross revenue from companies that meet the requirements of any of the foregoing entities.

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