



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *103RD General Assembly*

BILL NO: **HB 5201**

February 20, 2024

SPONSOR: Halbrook

SYSTEM: All Funds

FISCAL IMPACT

Both the Illinois State Board of Investment and SURS do not expect a substantial fiscal impact if HB 5201 were to become law. Both entities maintain that any impact from this bill would likely be administrative in nature and will not impact fund performance. It should be noted that while HB 5201 repeals sustainability consideration and reporting practices enshrined by recent public acts detailed below, the bill does not prohibit such practices. Hence, ISBI notes that the Board may decide to keep one or more sustainability factors in their investment policies even if it is not legally required.

SUBJECT MATTER: HB 5201 amends the Pension Code by eliminating the requirement for retirement systems and investment boards governed under the Pension Code to include sustainability factors in their adopted investment policies. The bill also eliminates the requirement for the publication of a detailed yearly report pertaining to investment decisions made by the Board.

COMMENT: Under current law, every retirement system and investment fund governed under the Pension Code must adopt an investment policy. P.A. 101-0473, which became effective on January 1, 2020, requires sustainability factors to be considered by the board as a part of the investment policy. These factors shall include the following: corporate governance and leadership, environmental, social capital, and human capital, among other factors.

P.A. 103-0468 became effective on August 4, 2023. This legislation created more robust sustainability reporting requirements for SURS, TRS, and the State Board of Investment (which manages investments for SERS, GARS, and JRS). On or before September 1 of each year,

SURS, TRS, and the State Board of Investment must publish a detailed report on its website describing how the respective Boards consider sustainability factors. The report must describe the Board's strategy in considering sustainable investment factors, outline the process for regular assessment across the entire portfolio, and disclose how each investment manager serving as a Board fiduciary integrates sustainability factors into the decision-making process, among other requirements.

HB 5201 eliminates the requirement for every retirement system, pension fund, and investment board to include sustainability factors in the investment policy. Essentially, the aforementioned sustainability and governance dictates of Public Acts 101-0473 and 103-0468 would be repealed if this bill were to become law.

MH:bs

LRB103 38361 MXP 68496 b