



Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE *104th General Assembly*

BILL NO: **HB 3123**

February 20, 2025

SPONSOR: Wilhour

SYSTEM: General Provisions Article

FISCAL IMPACT

According to SURS, statutory restrictions on investments limit their ability to adapt to the global market and reduce the pool of available investment opportunities. The broad wording of HB 3123, particularly the prohibition on investments in any entity domiciled or having its principal place of business in China, could unintentionally include private companies with no direct government ties. The term "Chinese Communist Party-backed securities" may also extend to businesses receiving state incentives. Without clearer definitions, the bill may lead to unintended divestment from widely held investment funds and global companies.

SUBJECT MATTER: HB 3123 amends the General Provisions Article of the Pension Code to prohibit state-funded retirement systems from investing in certain entities associated with the People's Republic of China. Specifically, the bill mandates divestment from Chinese Communist Party sovereign debt, Chinese Communist Party-backed securities, and investment instruments issued by companies domiciled in China or subject to Chinese Military-Industrial Complex Companies Sanctions. More detail is provided below.

COMMENT: Under current law, the following companies are subject to restrictions under the supervision of the Illinois Investment Policy Board (IIPB): companies that boycott Israel, for-profit companies that contract to shelter migrant children, Iran-restricted companies, Sudan-restricted companies, and companies based in either Russia or Belarus. The IIPB was established via P.A. 99-0128, effective July 23, 2015, and the board's dictates only apply to the five State-funded systems (TRS, SURS, and the Illinois State Board of Investment, which oversees investments for SERS, GARS, and JRS).

The IIPB researches and assembles a list of restricted companies and distributes it to each retirement system. The list is reviewed on a quarterly basis, with the updated list sent to retirement systems and the State Treasurer when new information is available. Should a company cease the activity that led it to be restricted, then it will be removed from the list of restricted companies. Otherwise, the retirement system must sell, redeem, divest or withdraw all direct holdings in a restricted company within 12 months of appearing on the list.

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Executive Order 13959, issued on November 12, 2020, by President Donald Trump, and later expanded by Executive Order 14032 on June 3, 2021, by President Joe Biden, prohibits U.S. persons from investing in companies identified as Communist Chinese military companies due to national security concerns. The Office of Foreign Assets Control (OFAC) enforces these sanctions, and violations can result in substantial fines and legal consequences.

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