Commission on Government Forecasting and Accountability

PENSION IMPACT NOTE

104TH General Assembly

BILL NO: **SB 0130** January 23, 2025

SPONSOR (S): Johnson - Feigenholtz

SYSTEM: General Provisions Article (All Systems)

FISCAL IMPACT

According to SURS, the energy sector outperformed the broader stock market by an average of 11% per year over the last 3 years. The system maintains that removing these assets from the investment portfolio will result in a lower funded status and require increased contributions from the State to reach the statutorily-required 90% funding by 2045. The system has stressed that this divestment requirement limits the index funds that pension funds and retirement systems would be allowed to invest in, resulting in increased fees to find index funds that comply with this bill. The Illinois State Board of Investment concurs with SURS and expects a negative fiscal impact if this bill were to become law as this bill targets an entire industry rather than individual entities.

SUBJECT MATTER: SB 0130 amends the General Provisions Article of the Pension Code to require all systems governed under the Pension Code to divest from fossil fuel companies by January 1, 2030. Pension systems must also publish various reports pertaining to their environmental, social, and governance (ESG) investment policies as well as various environmental metrics. Please see the Comment section for more information.

COMMENT: Under current law, pension funds and retirement systems governed under the Illinois Pension Code are prohibited from investing in various entities, including the Republic of Sudan, the Government of Iran, companies that boycott Israel, companies that contract to shelter migrant children, and companies located in Russia or Belarus, among other prohibitions.

SB 0130 amends the General Provisions Article of the Pension Code. The bill would prohibit Illinois public pension funds and retirement systems from directly investing in “fossil fuel companies", which include the following companies: 1) the 200 publicly traded companies with the largest fossil fuel reserves in the world; 2) the 30 largest public company owners of coal-fired power plants; 3) companies whose core business is the construction or operation of fossil fuel infrastructure; 4) companies that focus on exploration, extraction, refining, processing, or distributing fossil fuels, and 5) companies that receive more than 2% of their gross revenue from companies that meet the definitions of items 1 through 4 above. The bill would also require the pension systems to divest indirect investments that own more than a 1% interest in one or more individual fossil fuel companies by January 1, 2030.

SB 0130 would require each pension system's board of trustees to adopt an updated investment policy and file an updated copy of the policy with the Department of Insurance within 30 days of adoption. Ninety days after the effective date of this bill and on a quarterly basis thereafter, each pension system's board of trustees would also be required to issue a report reviewing its investments to ensure compliance with this bill. Each pension system's board of trustees must also disclose the alignment of their investment efforts with the Paris Climate Agreement and climate policy goals in the Illinois Energy Transition Act, which seeks to achieve 100% clean energy by 2050, among other objectives. *(Please note that President Trump signed an executive order withdrawing the United States from the Paris Climate Agreement on January 20th, 2025).*

Additionally, starting January 1, 2026, SB 0130 would require each pension system to issue an annual report reviewing its environmental, social, and governance investment policy, which would include, among other things, disclosing environmental performance metrics pertaining to the environmental effects of the pension system's investments.

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