

AN ACT concerning public employee benefits.

**Be it enacted by the People of the State of Illinois,  
represented in the General Assembly:**

Section 5. The Illinois Pension Code is amended by changing Section 22A-106 and by adding Sections 15-177.5, 15-177.6, 16-188, 16-189, 22A-113.4, and 22A-113.5 as follows:

(40 ILCS 5/15-177.5 new)

Sec. 15-177.5. Proxy voting.

(a) In this Section, "fiduciary" has the meaning given to that term in Section 1-101.2.

(b) Notwithstanding the Board's investment authority, and upon the affirmative vote of at least three-fifths of the members of the Board, the State Treasurer shall be authorized to manage the domestic and international proxy voting activity for shares held directly by the System and execute required ballots on behalf of the System. The Board's consent granted under this Section may be revoked at any time upon the affirmative vote of a majority of the members of the Board.

(c) When the State Treasurer is managing any proxy voting activity in accordance with subsection (b), the following shall apply: (1) the State Treasurer shall provide the Board with (i) comprehensive proxy voting reports on a quarterly basis and as requested by the Board and (ii) access to

communications with its third-party proxy voting service, if any, used in preparing the comprehensive proxy voting reports requested by the Board; and (2) the Board may provide the State Treasurer with guidance for proxy voting, which, if provided, the State Treasurer shall consider when voting.

(d) The State Treasurer shall act as a fiduciary to the System with regard to all aspects of the State Treasurer's management of the proxy voting activity as provided under subsection (b).

(e) With respect to this Section, and with respect to the State Treasurer's management of the proxy voting activity as provided for under subsection (b), the Board is exempt from any conflicting statutory or common law obligations, including any fiduciary or co-fiduciary duties under this Article and Article 1.

(f) With respect to this Section and with respect to the State Treasurer's management of the proxy voting activity as provided for under subsection (b), the Board, its staff, and the trustees of the Board shall not be liable for any damage or suits where damages are sought for negligent or wrongful acts alleged to have been committed in connection with the management of proxy voting activity as provided for under this Section.

(g) In order to facilitate the State Treasurer's proxy voting activities under this Section and before the State Treasurer begins proxy voting activities, the State Treasurer

and the Board shall enter into an intergovernmental agreement concerning costs, proxy voting guidance, reports and other documents, and other issues.

(h) This Section is repealed on January 1, 2027.

(40 ILCS 5/15-177.6 new)

Sec. 15-177.6. Fiduciary report. On or before September 1, 2023, and annually thereafter, the Board shall publish its guidelines for voting proxy ballots and a detailed report on its website describing how the Board is considering sustainability factors as defined in the Illinois Sustainable Investing Act. The report shall:

(1) describe the Board's strategy as it relates to the consideration of sustainable investment factors;

(2) outline the process for regular assessment across the total portfolio of potential effects from systemic and regulatory risks and opportunities, including, but not limited to, sustainability factors on the assets of the plan;

(3) disclose how each investment manager serving as a fiduciary to the Board integrates sustainability factors into the investment manager's investment decision-making process;

(4) provide a comprehensive proxy voting report;

(5) provide an overview of all corporate engagement and stewardship activities; and

(6) include any other information the Board deems necessary.

(40 ILCS 5/16-188 new)

Sec. 16-188. Proxy voting.

(a) In this Section, "fiduciary" has the meaning given to that term in Section 1-101.2.

(b) Notwithstanding the Board's investment authority, and upon the affirmative vote of at least three-fifths of the members of the Board, the State Treasurer shall be authorized to manage the domestic and international proxy voting activity for shares held directly by the System and execute required ballots on behalf of the System. The Board's consent granted under this Section may be revoked at any time upon the affirmative vote of a majority of the members of the Board.

(c) When the State Treasurer is managing any proxy voting activity in accordance with subsection (b), the following shall apply: (1) the State Treasurer shall provide the Board with (i) comprehensive proxy voting reports on a quarterly basis and as requested by the Board and (ii) access to communications with its third-party proxy voting service, if any, used in preparing the comprehensive proxy voting reports requested by the Board; and (2) the Board may provide the State Treasurer with guidance for proxy voting, which, if provided, the State Treasurer shall consider when voting.

(d) The State Treasurer shall act as a fiduciary to the

System with regard to all aspects of the State Treasurer's management of the proxy voting activity as provided under subsection (b).

(e) With respect to this Section, and with respect to the State Treasurer's management of the proxy voting activity as provided for under subsection (b), the Board is exempt from any conflicting statutory or common law obligations, including any fiduciary or co-fiduciary duties under this Article and Article 1.

(f) With respect to this Section and with respect to the State Treasurer's management of the proxy voting activity as provided for under subsection (b), the Board, its staff, and the trustees of the Board shall not be liable for any damage or suits where damages are sought for negligent or wrongful acts alleged to have been committed in connection with the management of proxy voting activity as provided for under this Section.

(g) In order to facilitate the State Treasurer's proxy voting activities under this Section and before the State Treasurer begins proxy voting activities, the State Treasurer and the Board shall enter into an intergovernmental agreement concerning costs, proxy voting guidance, reports and other documents, and other issues.

(h) This Section is repealed on January 1, 2027.

Sec. 16-189. Fiduciary report. On or before September 1, 2023, and annually thereafter, the Board shall publish its guidelines for voting proxy ballots and a detailed report on its website describing how the Board is considering sustainability factors as defined in the Illinois Sustainable Investing Act. The report shall:

(1) describe the Board's strategy as it relates to the consideration of sustainable investment factors;

(2) outline the process for regular assessment across the total portfolio of potential effects from systemic and regulatory risks and opportunities, including, but not limited to, sustainability factors on the assets of the plan;

(3) disclose how each investment manager serving as a fiduciary to the Board integrates sustainability factors into the investment manager's investment decision-making process;

(4) provide a comprehensive proxy voting report;

(5) provide an overview of all corporate engagement and stewardship activities; and

(6) include any other information the Board deems necessary.

(40 ILCS 5/22A-106) (from Ch. 108 1/2, par. 22A-106)

Sec. 22A-106. "Manage": To invest, reinvest, exchange and to perform all investment functions with regard to reserves,

funds, assets, securities and moneys which the board is authorized to invest, and to preserve and protect such reserves, funds, assets, securities and moneys, including, but not limited to, authority to vote any stocks, bonds or other securities and to give general or special proxies or powers of attorney with or without power of substitution, except that the authority to vote proxies is subject to Section 22A-113.4. This term shall not include any functions, duties and responsibilities incident to the operation and administration of pension funds or education fund other than that of investments.

(Source: P.A. 84-1127.)

(40 ILCS 5/22A-113.4 new)

Sec. 22A-113.4. Proxy voting.

(a) In this Section, "fiduciary" has the meaning given to that term in Section 1-101.2.

(b) Notwithstanding the Board's investment authority, and upon the affirmative vote of at least three-fifths of the members of the Board, the State Treasurer shall be authorized to manage the domestic and international proxy voting activity for shares held directly by the Board and execute required ballots on behalf of the Board. The Board's consent granted under this Section may be revoked at any time upon the affirmative vote of a majority of the members of the Board.

(c) When the State Treasurer is managing any proxy voting

activity in accordance with subsection (b), the following shall apply: (1) the State Treasurer shall provide the Board with (i) comprehensive proxy voting reports on a quarterly basis and as requested by the Board and (ii) access to communications with its third-party proxy voting service, if any, used in preparing the comprehensive proxy voting reports requested by the Board; and (2) the Board may provide the State Treasurer with guidance for proxy voting, which, if provided, the State Treasurer shall consider when voting.

(d) The State Treasurer shall act as a fiduciary to the Illinois State Board of Investment with regard to all aspects of the State Treasurer's management of the proxy voting activity as provided under subsection (b).

(e) With respect to this Section, and with respect to the State Treasurer's management of the proxy voting activity as provided for under subsection (b), the Board is exempt from any conflicting statutory or common law obligations, including any fiduciary or co-fiduciary duties under this Article and Article 1.

(f) With respect to this Section and with respect to the State Treasurer's management of the proxy voting activity as provided for under subsection (b), the Board, its staff, and the trustees of the Board shall not be liable for any damage or suits where damages are sought for negligent or wrongful acts alleged to have been committed in connection with the management of proxy voting activity as provided for under this



Section.

(g) In order to facilitate the State Treasurer's proxy voting activities under this Section and before the State Treasurer begins proxy voting activities, the State Treasurer and the Board shall enter into an intergovernmental agreement concerning costs, proxy voting guidance, reports and other documents, and other issues.

(h) This Section is repealed on January 1, 2027.

(40 ILCS 5/22A-113.5 new)

Sec. 22A-113.5. Fiduciary report. On or before September 1, 2023, and annually thereafter, the Board shall publish its guidelines for voting proxy ballots and a detailed report on its website describing how the Board is considering sustainability factors as defined in the Illinois Sustainable Investing Act. The report shall:

(1) describe the Board's strategy as it relates to the consideration of sustainable investment factors;

(2) outline the process for regular assessment across the total portfolio of potential effects from systemic and regulatory risks and opportunities, including, but not limited to, sustainability factors on the assets of the plan;

(3) disclose how each investment manager serving as a fiduciary to the Board integrates sustainability factors into the investment manager's investment decision-making

process;

(4) provide a comprehensive proxy voting report;

(5) provide an overview of all corporate engagement  
and stewardship activities; and

(6) include any other information the Board deems  
necessary.

Section 99. Effective date. This Act takes effect upon becoming law.