

1 AN ACT concerning public employee benefits.

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

4 Section 5. The Illinois Pension Code is amended by  
5 changing Section 22A-106 and by adding Sections 15-177.5,  
6 15-177.6, 16-188, 16-189, 22A-113.4, and 22A-113.5 as follows:

7 (40 ILCS 5/15-177.5 new)

8 Sec. 15-177.5. Proxy voting.

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

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

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

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

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

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

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

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

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

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

5 (40 ILCS 5/15-177.6 new)

6 Sec. 15-177.6. Fiduciary report. On or before September 1,  
7 2023, and annually thereafter, the Board shall publish its  
8 guidelines for voting proxy ballots and a detailed report on  
9 its website describing how the Board is considering  
10 sustainability factors as defined in the Illinois Sustainable  
11 Investing Act. The report shall:

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

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

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

23 (4) provide a comprehensive proxy voting report;

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

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

3           (40 ILCS 5/16-188 new)

4           Sec. 16-188. Proxy voting.

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

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

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

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

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

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

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

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

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

1       Sec. 16-189. Fiduciary report. On or before September 1,  
2       2023, and annually thereafter, the Board shall publish its  
3       guidelines for voting proxy ballots and a detailed report on  
4       its website describing how the Board is considering  
5       sustainability factors as defined in the Illinois Sustainable  
6       Investing Act. The report shall:

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

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

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

18              (4) provide a comprehensive proxy voting report;

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

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

23              (40 ILCS 5/22A-106) (from Ch. 108 1/2, par. 22A-106)

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

1 funds, assets, securities and moneys which the board is  
2 authorized to invest, and to preserve and protect such  
3 reserves, funds, assets, securities and moneys, including, but  
4 not limited to, authority to vote any stocks, bonds or other  
5 securities and to give general or special proxies or powers of  
6 attorney with or without power of substitution, except that  
7 the authority to vote proxies is subject to Section 22A-113.4.

8 This term shall not include any functions, duties and  
9 responsibilities incident to the operation and administration  
10 of pension funds or education fund other than that of  
11 investments.

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

13 (40 ILCS 5/22A-113.4 new)

14 Sec. 22A-113.4. Proxy voting.

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

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

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

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

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

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

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



1 Section.

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

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

9 (40 ILCS 5/22A-113.5 new)

10 Sec. 22A-113.5. Fiduciary report. On or before September  
11 1, 2023, and annually thereafter, the Board shall publish its  
12 guidelines for voting proxy ballots and a detailed report on  
13 its website describing how the Board is considering  
14 sustainability factors as defined in the Illinois Sustainable  
15 Investing Act. The report shall:

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

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

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

- 1           process;
- 2           (4) provide a comprehensive proxy voting report;
- 3           (5) provide an overview of all corporate engagement  
4           and stewardship activities; and
- 5           (6) include any other information the Board deems  
6           necessary.

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