Proposed Change in the Law

This bill would require all pension systems, except Article 3 & 4 police and fire funds, to determine the financial risk of climate change on their investments and to issue an annual report. It would then authorize funds to add this risk factor to the proxy policy.

Reasons for Position

The provisions of this bill would potentially have a negative impact on the Board’s investment authority under the Prudent Person Rule by placing additional requirements on the Board’s proxy policy.

The IMRF Board of Trustees is opposed to all legislation that seeks to limit the Board’s authority to invest under the Prudent Person Rule. In accord with the Illinois Pension Code, IMRF does review all investments, both initially and on a regular basis thereafter, to ensure that they make long-term financial sense for the Fund and its members.

IMRF also fully complies with the Illinois Sustainable Investing Act (30 ILCS 238/1 et al), which requires all units of government in the state to consider a range of relevant factors in its review of investment options, including corporate, environmental, social capital, and business model factors, which includes climate change. Further, IMRF also considers these same factors when proxy voting – a direct mechanism to influence corporate governance and behavior.