

Climate Change Risk Minimization Policy

HB 1605 amends the General Provisions Article of the Illinois Pension Code to require every pension fund (except for downstate police and firefighters' pension funds) to develop a climate change risk minimization policy by December 31, 2020.

HB 1605 requires the climate change risk minimization policy to consider the financial risk to the investments held by the pension fund in the event of different levels of climate change, as defined by the United Nations Framework Convention on Climate Change. The initial development of the policy must use the National Association of Insurance Commissioners' Insurer Climate Risk Disclosure Survey as a model. The policy must consider the scope of the financial risk and the financial impact of climate-related events, including, but not limited to, severe drought, coastal flooding, and more intense hurricanes, on the holdings of the pension fund. The policy must explain what sources of data, which must include, but not be limited to, insurance company projections, the United Nations Framework Convention on Climate Change, and the United States Environmental Protection Agency, were used in making long-term projections on the climate and the potential long-term financial impact to the holdings of the pension fund from increased climate change.

HB 1605 establishes that, to the extent the pension fund determines, based on insurance company projections and other official sources of data, that increased climate change is a significant financial risk to the long-term value of the pension fund, the pension fund may determine a policy for all corporate equities held by the pension fund on voting for shareholder resolutions and directors to advance corporate policies that minimize the long-term risk to the pension fund's assets from increased climate change, including, but not limited to, voting for shareholder resolutions that commit companies to internal policies that reduce the company's carbon emissions.

HB 1605 requires the climate change risk minimization policy to be updated annually and published on the pension fund's website. Previous versions of the policy must be kept on the pension fund's website for a period of five years.

HB 1605 takes effect immediately upon becoming law.

Sponsor:

Representative Camille Y. Lilly

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