

AMENDED IN ASSEMBLY AUGUST 7, 2000

AMENDED IN SENATE MAY 9, 2000

AMENDED IN SENATE APRIL 24, 2000

AMENDED IN SENATE MARCH 27, 2000

SENATE BILL

No. 1928

Introduced by Senator Haynes

February 24, 2000

~~An act to add Chapter 21.6 (commencing with Section 7521) to Division 7 of Title 1 of the Government Code, relating~~ *An act to add and repeal Section 7513.6 to the Government Code, relating to public retirement fund investments.*

LEGISLATIVE COUNSEL'S DIGEST

SB 1928, as amended, Haynes. ~~Capital Markets Task Force Board~~ *Public retirement fund investments: foreign companies.*

Under existing law, the retirement boards of public pension or retirement systems have plenary authority over the investment of pension funds, subject to their fiduciary duties to the members of the system.

This bill would declare the Legislature's concern ~~over investments by the Public Employees' Retirement System in~~ *about* foreign companies that ~~promote terrorism, the proliferation of weapons of mass destruction, and the violation of human rights.~~ *This bill pose threats to national security, as specified, and would encourage the Board of Administration*

of the Public Employees' Retirement System and the Teachers' Retirement Board not to invest in foreign companies that pose *those* threats to ~~national security and human rights~~ and to have fund managers perform due diligence with respect to potential investments in foreign companies, as specified. This bill would ~~establish the Capitol Markets Task Force Board, as specified, that would make recommendations to, until 2005, require the Board of Administration of the Public Employees' Retirement System and the Teachers' Retirement Board~~ ~~regarding national security, human rights, and social concerns material to the performance of investments~~ to review publicly available information, as specified, and report annually to the Legislature regarding the respective systems' investments in foreign companies doing business in certain countries, as specified.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

- 1 ~~SECTION 1. (a) The Legislature is concerned about~~
 2 *SECTION 1. (a) The Legislature is concerned about*
 3 *foreign companies that may pose threats to national*
 4 *security through terrorism or the proliferation of*
 5 *weapons of mass destruction, as documented by the*
 6 *federal government and the United States Congress. The*
 7 *Legislature is also concerned about reports that some of*
 8 *these companies may be using capital markets in the*
 9 *United States as a source of funding for military*
 10 *development.*
 11 *(b) The Teachers' Retirement Board and the Board of*
 12 *Administration of the Public Employees' Retirement*
 13 *System are encouraged, to the extent consistent with the*
 14 *fiduciary standards prescribed by Section 17 of Article*
 15 *XVI of the California Constitution and related statutes,*
 16 *not to invest in foreign companies that pose those threats.*
 17 *(c) The Teachers' Retirement Board and the Board of*
 18 *Administration of the Public Employees' Retirement*
 19 *System are also encouraged, to the extent consistent with*



1 *the fiduciary standards prescribed by Section 17 of Article*
2 *XVI of the California Constitution and related statutes, to*
3 *have all internal and external fund managers perform*
4 *due diligence with respect to potential investments in*
5 *foreign companies that pose threats to the national*
6 *security of the United States.*

7 SEC. 2. Section 7513.6 is added to the Government
8 Code, to read:

9 7513.6. (a) Effective July 1, 2001, and on or before
10 July 1 of each year thereafter, the Teachers' Retirement
11 Board and the Board of Administration of the Public
12 Employees' Retirement System, respectively, shall
13 report to the Legislature regarding the extent to which
14 the assets of the State Teachers' Retirement System and
15 the Public Employees' Retirement System are invested,
16 or were invested during the prior calendar year, in
17 foreign companies doing business in countries that are on
18 the Department of State's list of terrorist-sponsoring
19 nations or in companies that have been placed on the
20 Department of the Treasury's list of Foreign Asset
21 Controls.

22 (b) To fulfill the requirements of this section, the
23 Teachers' Retirement Board and the Board of
24 Administration of the Public Employees' Retirement
25 System, respectively, shall review, at a minimum,
26 publicly available corporate annual and financial reports
27 and information made available to the public by the
28 Department of State, the Department of the Treasury,
29 the Department of Commerce, the Central Intelligence
30 Agency, Congressionally-mandated commissions, and the
31 State Auditor.

32 (c) This section shall remain in effect only until
33 January 1, 2005, and as of that date is repealed, unless a
34 later enacted statute, that is enacted before January 1,
35 2005, deletes or extends that date.

36 ~~recent public Retirement System has invested pension~~
37 ~~funds in foreign companies that may pose threats to~~
38 ~~national security by promoting terrorism and the~~
39 ~~proliferation of weapons of mass destruction, and has also~~
40 ~~invested in a foreign company that is financially~~



1 ~~supporting a dictatorial regime in Sudan that has been~~
2 ~~accused of abominable human rights violations, including~~
3 ~~genocide and slavery.~~

4 ~~(b) The Legislature encourages the Board of~~
5 ~~Administration of the Public Employees' Retirement~~
6 ~~System and the Teachers' Retirement Board, pursuant to~~
7 ~~the fiduciary standards prescribed by Section 17 of Article~~
8 ~~XVI of the California Constitution and related statutes;~~
9 ~~not to invest in foreign companies that pose threats to~~
10 ~~national security and fundamental human rights.~~

11 ~~SEC. 2. Chapter 21.6 (commencing with Section~~
12 ~~7521) is added to Division 7 of Title 1 of the Government~~
13 ~~Code, to read:~~

14
15 ~~CHAPTER 21.6. CAPITAL MARKETS TASK FORCE BOARD~~

16
17 ~~7521. The Capital Markets Task Force Board is hereby~~
18 ~~established. As used in this chapter, "board" shall mean~~
19 ~~the Capital Markets Task Force Board. The board shall~~
20 ~~consist of the following elected officials or their~~
21 ~~respective designated representatives:~~

22 ~~(a) The Governor.~~

23 ~~(b) The Treasurer.~~

24 ~~(c) The Controller.~~

25 ~~(d) The President pro Tempore of the Senate.~~

26 ~~(e) The Speaker of the Assembly.~~

27 ~~(f) The Minority Leader of the Senate.~~

28 ~~(g) The Minority Leader of the Assembly.~~

29 ~~7521.2. No member of the board shall have any direct~~
30 ~~personal involvement or economic interest in any~~
31 ~~financial transaction with the State Teachers' Retirement~~
32 ~~System or the Public Employees' Retirement System~~
33 ~~while the member serves on the board or for one year~~
34 ~~after the expiration or earlier termination of the~~
35 ~~member's term on the board.~~

36 ~~7521.4. (a) The members of the board shall annually~~
37 ~~elect a chairperson of the board.~~

38 ~~(b) The board shall meet no less than quarterly, but~~
39 ~~may meet at the call of the chairperson.~~



1 ~~(c) Notwithstanding any other provision of law, the~~
2 ~~members of the board shall receive no salary,~~
3 ~~compensation, or reimbursement for expenses related to~~
4 ~~their service on the board. The board shall not employ~~
5 ~~any permanent staff.~~

6 ~~(d) Any expenses incurred by the board shall be paid~~
7 ~~in equal shares by the State Teachers' Retirement System~~
8 ~~and the Public Employees' Retirement System.~~

9 ~~7522. The board shall make recommendations to the~~
10 ~~Board of Administration of the Public Employees'~~
11 ~~Retirement System and the Teachers' Retirement Board~~
12 ~~with respect to the following:~~

13 ~~(a) National security concerns.~~

14 ~~(b) Human rights concerns.~~

15 ~~(c) Social concerns material to the performance of~~
16 ~~investments.~~

