

## HOUSE BILL No. 2287

By Committee on Taxation

2-10

---

1 AN ACT concerning retirement and pensions; relating to the Kansas  
2 public employees retirement system; investment standards; prohibited  
3 investments, Iran; divestment therefrom, conditions and procedures;  
4 indemnification and hold harmless provisions.  
5

6 *Be it enacted by the Legislature of the State of Kansas:*

7 Section 1. (a) As used in sections 1 and 2, and amendments thereto:

8 (1) "Board" means the board of trustees of the Kansas public  
9 employees retirement system;

10 (2) "company" means any sole proprietorship, organization,  
11 association, corporation, partnership, joint venture, limited partnership,  
12 limited liability partnership, limited liability company, or other entity or  
13 business association that exists for the purpose of making profit;

14 (3) "direct holdings" in a company means all securities of that  
15 company that are held directly by the KPERS fund or in an account or  
16 fund in which the KPERS fund owns all shares or interests;

17 (4) "government of Iran" means the government of Iran, its  
18 instrumentalities, and companies owned or controlled by the government  
19 of Iran;

20 (5) "inactive business activities" means the mere continued holding or  
21 renewal of rights to property previously operated for the purpose of  
22 generating revenues but not presently deployed for such purpose;

23 (6) "indirect holdings" in a company means all securities of that  
24 company that are held in an account or fund, such as a mutual fund,  
25 managed by one or more persons not employed by the KPERS fund, in  
26 which the KPERS fund owns shares or interests together with other  
27 investors not subject to the provisions of this act;

28 (7) "Iran" means the Islamic Republic of Iran;

29 (8) "KPERS fund" means the Kansas public employees retirement  
30 fund created pursuant to the provisions of K.S.A. 74-4921, and  
31 amendments thereto;

32 (9) "petroleum resources" means petroleum or natural gas;

33 (10) "scrutinized business activities" means business activities that  
34 have resulted in a company becoming a scrutinized company;

35 (11) "scrutinized company" means any company that has, with actual  
36 knowledge, on or after August 5, 1996, made an investment of \$20 million

1 or more in Iran's petroleum sector which directly or significantly  
2 contributes to the enhancement of Iran's ability to develop the petroleum  
3 resources of Iran; and

4 (12) "substantial action specific to Iran" means adopting, publicizing,  
5 and implementing a formal plan to cease scrutinized business activities  
6 within one year and to refrain from any such new business activities.

7 (b) Within 45 days after the effective date of this act, the board shall  
8 make the board's best efforts to identify all scrutinized companies in which  
9 the KPERS fund has direct holdings or indirect holdings. Such efforts  
10 include: (1) Reviewing and relying, as appropriate in the board's judgment,  
11 on publicly available information regarding companies that have invested  
12 more than \$20 million in any given year since August 5, 1996, in Iran's  
13 petroleum energy sector, including information provided by nonprofit  
14 organizations, research firms, international organizations, and government  
15 entities; and

16 (2) by the first meeting of the board following the 45-day period  
17 described in this subsection, assembling all scrutinized companies that fit  
18 criteria specified in subsection (a)(10) into scrutinized companies with  
19 activities in the Iran petroleum energy sector list.

20 The board shall update and make publicly available annually from the  
21 effective date of this act the scrutinized companies with activities in the  
22 Iran petroleum energy sector list based on evolving information from,  
23 among other sources, those listed in this act.

24 (c) The Kansas public employees retirement system shall adhere to  
25 the following procedure for assembling companies on the scrutinized  
26 companies with activities in the Iran petroleum energy sector list:

27 (1) For each company in which the KPERS fund has direct holdings  
28 newly identified under subsection (b), the board shall send a written notice  
29 informing the company of its scrutinized company status and that it may  
30 become subject to divestment by the board. The notice must inform the  
31 company of the opportunity to clarify its Iran-related activities and  
32 encourage the company, within 90 days, to cease its scrutinized business  
33 activities or convert such activities to inactive business activities in order  
34 to avoid qualifying for divestment by the board. Such notice shall be sent  
35 no later than 135 days after the effective date of this act. If, within 90 days  
36 after the board's first engagement with a company pursuant to this  
37 paragraph, the company announces by public disclosure substantial action  
38 specific to Iran, the board may maintain its direct holdings, but the  
39 company shall remain on the scrutinized companies with activities in the  
40 Iran petroleum energy sector list pending completion of its cessation of  
41 scrutinized business activities.

42 (2) If, after 90 days following the board's first engagement with a  
43 company pursuant to subsection (c)(1), the company has not announced by

1 public disclosure substantial action specific to Iran, or the board  
2 determines or becomes aware that the company continues to have  
3 scrutinized business activities, the board within 12 months after the  
4 expiration of such 90-day period shall sell, redeem, divest or withdraw all  
5 publicly traded securities of the company from the KPERS fund's direct  
6 holdings.

7 (3) If the board determines or becomes aware that a company that  
8 ceased scrutinized business activities following engagement pursuant to  
9 subsection (c)(1) has resumed such activities, the board shall send a  
10 written notice to the company under subsection (c)(1), and (c)(2) also shall  
11 apply. The company also shall be immediately reintroduced onto the  
12 scrutinized companies with activities in the Iran petroleum energy sector  
13 list.

14 (4) The board shall monitor the scrutinized company that has  
15 announced by public disclosure substantial action specific to Iran and, if  
16 after one year the board determines or becomes aware that the company  
17 has not implemented such plan, within three months after the expiration of  
18 such one-year period, shall sell, redeem, divest or withdraw all publicly  
19 traded securities of the company from the KPERS fund's direct holdings,  
20 and the company also shall be immediately reintroduced onto the  
21 scrutinized companies with activities in the Iran petroleum energy sector  
22 list.

23 (5) The board may not acquire securities of companies on the  
24 scrutinized companies with activities in the Iran petroleum energy sector  
25 list.

26 (6) Notwithstanding the provisions of this act, subsection (c)(2) does  
27 not apply to the KPERS fund's indirect holdings. However, the board shall  
28 submit letters to the managers of any managed investment funds  
29 containing companies on the scrutinized companies with activities in the  
30 Iran petroleum energy sector list that such managers consider removing  
31 such companies from the fund or create a similar actively managed fund  
32 having indirect holdings devoid of such companies. If the manager creates  
33 a similar fund devoid of such securities or if such funds are created  
34 elsewhere, the board shall determine within six months whether to replace  
35 all applicable investments with investments in the similar fund in an  
36 expedited timeframe consistent with prudent investing standards. For the  
37 purposes of this section, a private equity fund is deemed to be an actively  
38 managed investment fund.

39 (d) The board shall file a report with the joint committee on pensions,  
40 investments and benefits that includes the scrutinized companies with  
41 activities in the Iran petroleum energy sector list within 30 days after the  
42 list is created. This report shall be made available to the public. On an  
43 annual basis thereafter, the board shall file a report which shall be made

1 available to the joint committee on pensions, investments and benefits and  
2 the public which includes:

3 (1) A summary of correspondence with companies engaged by the  
4 board under subsection (c)(1);

5 (2) all investments sold, redeemed, divested or withdrawn in  
6 compliance with subsection (c)(2);

7 (3) all prohibited investments under subsection (c)(5);

8 (4) any progress made under subsection (c)(6); and

9 (5) a list of all publicly traded securities held directly by this state.

10 (e) This act expires upon the occurrence of any of the following: (1)  
11 The congress or president of the United States affirmatively and  
12 unambiguously states, by means including, but not limited to, legislation,  
13 executive order, or written certification from the president to congress, that  
14 the government of Iran has ceased to pursue the capabilities to develop  
15 nuclear weapons and support international terrorism;

16 (2) the United States revokes all sanctions imposed against the  
17 government of Iran; or

18 (3) the congress or president of the United States affirmatively and  
19 unambiguously declares, by means including, but not limited to,  
20 legislation, executive order, or written certification from the president to  
21 congress, that mandatory divestment of the type provided for in this act  
22 interferes with the conduct of United States foreign policy.

23 (f) With respect to actions taken in compliance with this act,  
24 including all good faith determinations regarding companies as required by  
25 this act, the Kansas public employees retirement system is exempt from  
26 any conflicting statutory or common law obligations, including any such  
27 obligations with respect to choice of asset managers, investment funds, or  
28 investments for the KPERs fund's securities portfolios.

29 (g) If any provision of this act or its application to any person or  
30 circumstance is held invalid, the invalidity does not affect other provisions  
31 or applications of the act that can be given effect without the invalid  
32 provision or application, and to this end, the provisions of this act are  
33 severable. The legislature hereby declares that it would have passed this  
34 act and each provision of this act, irrespective of the fact that any one or  
35 more provisions of this act might be declared invalid, illegal,  
36 unenforceable or unconstitutional, including, but not limited to, each of the  
37 engagement, divestment and prohibition provisions of this act.

38 Sec. 2. Present, future and former board members jointly and  
39 individually, state officers and employees, research firms described in  
40 section 1, and amendments thereto, and investment managers under  
41 contract with the Kansas public employees retirement system shall be  
42 indemnified from the state general fund and held harmless by the state  
43 from all claims, demands, suits, actions, damages, judgments, costs,

1 charges and expenses, including court costs and attorney fees, and against  
2 all liability, losses and damages of any nature whatsoever that these  
3 present, future or former board members, officers, employees, research  
4 firms or contract investment managers shall or may at any time sustain by  
5 reason of any decision to restrict, reduce or eliminate investments pursuant  
6 to section 1, and amendments thereto.

7 Sec. 3. This act shall take effect and be in force from and after its  
8 publication in the statute book.