

SENATE BILL 542

By Stevens

AN ACT to amend Tennessee Code Annotated, Title 9,
Chapter 4, Part 15, relative to investments.

BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF TENNESSEE:

SECTION 1. Tennessee Code Annotated, Title 9, Chapter 4, Part 15, is amended by adding the following as new sections:

9-4-1501.

As used in this part:

(1) "Board" means the board of trustees for the Tennessee consolidated retirement system;

(2) "China" means the government of the People's Republic of China, the Chinese Communist Party, the Chinese military, or any instrumentality thereof;

(3) "Company" means a sole proprietorship, organization, association, corporation, partnership, joint venture, limited partnership, limited liability partnership, limited liability company, or another entity or business association, including all wholly owned subsidiaries, majority-owned subsidiaries, and parent companies, or an affiliate of such entity or business association that exists for the purpose of making a profit;

(4) "Direct holdings" means, in a company, all public securities with a number assigned by the Committee on Uniform Securities Identification Procedures (CUSIP) or the International Securities Identification Numbers Organization (ISIN) that are held directly by the retirement system or a political subdivision pension plan, except as provided in subdivision (7), or in an account

or fund in which the retirement system or a political subdivision pension plan owns all shares or interests;

(5) "Divest" means a sale, redemption, replacement, or another activity that terminates an investment;

(6) "Governing body" means the body that has oversight and control over a political subdivision pension plan;

(7) "Indirect holdings" means, in a company, all securities of that company that are held in a commingled fund or other collective investment, including, but not limited to, private equity funds, strategic lending funds, mutual funds, and exchange traded funds, in which the retirement system or a political subdivision pension plan owns shares or interests, together with other investors not subject to this part;

(8) "Investment activity" means investing, reinvesting, or lending the funds of the retirement system or a political subdivision pension plan;

(9) "Majority-owned" means to have ownership of more than fifty percent (50%) of the outstanding equity interests of a company;

(10) "Political subdivision pension plan" means a defined benefit pension plan established and maintained by a political subdivision and subject to chapter 3, part 5 of this title;

(11) "Restricted entity" means a company that is known through publicly available information to be majority-owned by China;

(12) "Restricted investment" means the investment activity of the retirement system or a political subdivision pension plan in a restricted entity; and

(13) "Retirement system" means the Tennessee consolidated retirement system defined benefit pension plan.

9-4-1502.

(a)

(1) With respect to the retirement system and political subdivision pension plans, the board and governing body for each respective political subdivision pension plan, as applicable, shall, no later than January 15, 2026, and by January 15 of each subsequent year, review the retirement system's or political subdivision pension plan's direct holdings as of December 31 of the prior calendar year to determine which direct holdings, if any, constitute restricted investments; provided, that the board or governing body may review the retirement system's or the respective political subdivision pension plan's direct holdings more frequently.

(2) If the board identifies a restricted investment in the retirement system's direct holdings, then the state treasurer shall divest from the restricted investment and report the divestment to the retirement system's investment committee. If a governing body identifies a restricted investment in its political subdivision pension plan's direct holdings, then the governing body shall divest from the restricted investment in accordance with the governing body's investment policy.

(3) If the board or a governing body cannot cause the retirement system or political subdivision pension plan to divest expeditiously from a restricted investment, then the board or governing body shall develop a written divestment plan for these direct holdings in restricted investments no later than July 1 of each year and submit a copy of the divestment plan to the chair of the council on pensions. The divestment plan must be developed and implemented in a

manner consistent with § 35-14-107, the prudent investor rule pursuant to § 35-14-103, and the standard of care pursuant to § 35-14-104.

(4) The board or governing body, as applicable, shall divest from the securities identified in a divestment plan developed pursuant to subdivision (a)(3), with divestment occurring no later than December 31 of each year, or such later time established by the board or governing body to implement the divestment plan consistent with each entity's fiduciary duty.

(b) With respect to the retirement system:

(1) The divestment plan for the retirement system must be implemented consistent with § 8-37-110;

(2) The categorization of the retirement system's securities or investment vehicles must be done at the discretion of the state treasurer if not specifically addressed in the retirement system's investment policy; and

(3) The board may delegate its responsibilities under this section to the state treasurer.

(c) The following are immune from civil liability for any act or omission under this section:

(1) This state, and its officers and employees;

(2) Each political subdivision, and its officers and employees;

(3) The retirement system and its board members; and

(4) Each political subdivision pension plan and its governing body.

SECTION 2. This act takes effect upon becoming a law, the public welfare requiring it.