

SPONSOR: Sparks

This bill modifies provisions relating to fiduciaries' duties for public employee retirement systems. This bill specifies that, an investment fiduciary shall discharge his or her duties in the interests of the participants in a public employee retirement system and their beneficiaries for the exclusive purpose of providing financial benefits and paying reasonable expenses for administering the public employee retirement system. Additionally, when discharging fiduciary duties, which shall be the same as a member of the board of trustees of a system, an investment fiduciary shall take into account only financial factors. The term "financial" is defined in the bill as a material effect on the financial risk or the financial return of an investment, but does not include any action taken, or factor considered, by an investment fiduciary with a purpose to further social, political, or ideological interests.

This bill further provides that all shares held by or on behalf of a public employee retirement system, the participants, and their beneficiaries shall be voted solely in the financial interest of participants in the system and their beneficiaries. Unless no economically practicable alternative is available, the following actions shall not be allowed unless there is a practice and commitment to follow guidelines that match the system's obligations to act solely upon financial factors:

- (1) The board of a system granting proxy voting authority to persons not on the board;
- (2) The system entrusting assets to investment fiduciaries; and
- (3) The system adopting a practice of following the recommendations of a proxy advisor or other service provider.

All proxy votes shall be tabulated and provided in an annual report containing certain information described in the bill to the board of trustees. Such report shall be posted on the system's website.

The Attorney General may enforce the provisions of this bill, or any contract subject to the provisions of this bill. If the Attorney General has reasonable cause to believe that a person is engaging in a violation of this bill, the Attorney General may require such person to file a written statement or report, under oath, as to all the facts and circumstances concerning the violation, and provide other necessary data and information.

In addition to any other remedies available, a company who serves as an investment fiduciary and who violates this bill shall be obligated to pay damages in an amount equal to three times all moneys paid to the company by the system.

This bill is the same as HB 1333 (2023) and similar to SB 436 (2023).