

CHAPTER 12K

RESTRICTIONS ON CHINA-RELATED INVESTMENTS

Referred to in §12.8, 97A.7, 97B.4, 262.14, 411.7, 602.9111

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12K.1 Definitions.

As used in [this chapter](#), unless the context otherwise requires:

1. “*Company*” means any business or business entity that is publicly traded and that is not based in the United States.

2. “*Direct holdings*” in a company means all securities of a company held directly by the public fund or in an account or fund in which the public fund owns all shares or interests.

3. “*Indirect holdings*” in a company means all securities of a company held in an account or fund managed by one or more persons not employed by the public fund, in which the public fund owns shares or interests together with other investors not subject to the provisions of [this chapter](#). Indirect holdings include but are not limited to mutual funds, fund of funds, private equity funds, hedge funds, and real estate funds.

4. “*Prohibited company*” means a company that is owned or controlled by Chinese military or government services and has been designated by the United States government as a company that citizens of the United States are restricted or prohibited from entering into transactions with, limited to companies on any of the following lists:

- a. The bureau of industry and security’s entity list.
- b. The bureau of industry and security’s military end user list.
- c. The department of defense’s communist Chinese military companies list.
- d. The office of foreign assets control’s foreign sanctions evaders list.
- e. The office of foreign assets control’s list of foreign financial institutions subject to correspondent account or payable-through account sanctions.
- f. The office of foreign assets control’s non-SDN Iran sanctions list.
- g. The office of foreign assets control’s non-SDN Palestinian legislative council list.
- h. The office of foreign assets control’s sectoral sanctions identifications list.
- i. The office of foreign assets control’s specially designated nationals and blocked persons list.

5. “*Public fund*” means the treasurer of state, the state board of regents, the public safety peace officers’ retirement system created in [chapter 97A](#), the Iowa public employees’ retirement system created in [chapter 97B](#), the statewide fire and police retirement system created in [chapter 411](#), or the judicial retirement system created in [chapter 602](#).

[2023 Acts, ch 58, §4; 2023 Acts, ch 119, §34, 35](#)

12K.2 Identification of companies — notice.

1. a. By January 1, 2024, a public fund shall identify or have identified all prohibited companies in which the public fund has direct or indirect holdings and shall create and make available to the public a prohibited companies list for that public fund. The public fund shall review and update, if necessary, the prohibited companies list on an annual basis thereafter.

b. In identifying or having identified prohibited companies, the public fund may review and rely, in the best judgment of the public fund, on publicly available information and other information that may be provided by nonprofit organizations, research firms, international organizations, and government entities. The public fund may also contact asset managers and institutional investors for the public fund to identify prohibited companies based upon industry-recognized lists of such companies that the public fund may have indirect holdings in.

c. The Iowa public employees’ retirement system, acting on behalf of the system and other public funds subject to [this section](#), may develop and issue a request for proposals for third-party services to complete the identification of prohibited companies and the

compilation of a prohibited companies list. The request for proposals may request bids for optional services related to this purpose, including but not limited to provision of notice of such prohibited companies as required in [subsection 2](#). The Iowa public employees' retirement system shall consult with all other public funds regarding the development of the request for proposals, however selection of a successful proposal and the final scope of services to be provided shall be determined only by those public funds that have agreed to utilize the third-party services. If more than one public fund decides to utilize the third-party services, the participating public funds shall equally share the costs of such services.

2. If a public fund determines that a company may be subject to inclusion on the prohibited companies list, the public fund shall scrutinize and engage the company for a period of not more than twelve months and shall include the company on the prohibited companies list if the public fund determines that the company is a prohibited company.

[2023 Acts, ch 58, §5](#)

Referred to in [§12K.4](#), [12K.6](#)

12K.3 Divestment.

1. A public fund shall not acquire any direct holdings in publicly traded securities of a prohibited company.

2. *a.* A public fund shall sell, redeem, divest, or withdraw all direct holdings in publicly traded securities of a prohibited company no later than one hundred eighty days following the date the company is included on the prohibited companies list.

b. [This subsection](#) shall not be construed to require the premature or otherwise imprudent sale, redemption, divestment, or withdrawal of an investment, but such sale, redemption, divestment, or withdrawal shall be completed as provided by [this subsection](#).

[2023 Acts, ch 58, §6](#)

Referred to in [§12K.4](#), [12K.6](#)

12K.4 Reports.

1. Each public fund shall, within thirty days after the prohibited companies list is created or updated as required by [section 12K.2](#), make the list available to the public.

2. On October 1, 2024, and each October 1 thereafter, each public fund shall make available to the public, and file with the general assembly, an annual report covering the prior fiscal year that includes all of the following:

a. The prohibited companies list as of the end of the fiscal year.

b. All investments sold, redeemed, divested, or withdrawn as provided in [section 12K.3](#) during the fiscal year.

c. A list of indirect holdings of the public fund in publicly traded securities of prohibited companies and the percentage of the total portfolio of the public fund the indirect holdings of securities in prohibited companies represent.

[2023 Acts, ch 58, §7](#)

Referred to in [§12K.6](#)

12K.5 Legal obligations.

With respect to actions taken in compliance with [this chapter](#), including all good-faith determinations regarding companies as required by [this chapter](#), the public fund shall be exempt from any conflicting statutory or common law obligations, including any such obligations with respect to choice of asset managers, investment funds, or investments for the public fund's securities portfolios.

[2023 Acts, ch 58, §8](#)

12K.6 Applicability.

The requirements of [sections 12K.2](#), [12K.3](#), and [12K.4](#) shall not apply if the United States Congress or president of the United States, through legislation or executive order, declares that mandatory divestment of the type provided for in [this chapter](#) interferes with the conduct of United States foreign policy.

[2023 Acts, ch 58, §9](#)