

Senate Study Bill 1056 - Introduced

SENATE/HOUSE FILE _____
BY (PROPOSED ATTORNEY GENERAL
BILL)

A BILL FOR

1 An Act relating to actions regarding the economic interest of
2 enterprise shareholders and participants in and beneficiaries
3 of public pension benefit plans, and providing penalties.
4 BE IT ENACTED BY THE GENERAL ASSEMBLY OF THE STATE OF IOWA:

unofficial

1 Section 1. NEW SECTION. **12L.1 Definitions.**

2 For purposes of this chapter:

3 1. "*Best economic interest*" means investment pursuant to the
4 objective of maximizing risk-adjusted investment returns of the
5 participants and beneficiaries of a pension benefit plan over a
6 time horizon consistent with the risk management profile of the
7 plan.

8 2. "*Consumer*" means a person who is a resident of this state
9 and to which any of the following apply:

10 a. The person has an interest in an investment company,
11 including but not limited to mutual funds and exchange-traded
12 funds, registered with the federal securities and exchange
13 commission that directly or indirectly owns shares of an
14 enterprise regulated by the state.

15 b. The person is a beneficiary of or participant in a pension
16 benefit plan.

17 3. "*Economic analysis*" means a written analysis demonstrating
18 the factors considered in evaluating the economic impact of a
19 shareholder-sponsored proposal. At a minimum, the analysis must
20 address all of the following factors:

21 a. The subject matter of the shareholder-sponsored proposal.

22 b. An evaluation of the investment company's stated reasons
23 for opposition to the shareholder-sponsored proposal.

24 c. An evaluation of whether the shareholder-sponsored
25 proposal reflects the investment objectives and risk management
26 profile of the pension benefit plan in which the participants and
27 beneficiaries are invested.

28 d. An evaluation of the economic benefits and costs of
29 implementing the proposal, as written, over a time horizon that
30 reflects the investment objectives and risk management profile of
31 the plan.

32 e. The quantifiable impact of the shareholder-sponsored
33 proposal, as written, on the investment returns of the
34 participants and beneficiaries of the plan.

35 f. An explanation of modeling, procedures, or processes used

1 to complete the economic analysis.

2 4. "*Fiduciary*" means a person who, with respect to a pension
3 benefit plan, does any of the following:

4 a. Exercises discretionary authority or discretionary control
5 with respect to management of the plan or exercises authority or
6 control with respect to acquisition, management, or disposition
7 of the plan's assets.

8 b. Renders investment advice for a fee or other compensation,
9 direct or indirect, with respect to moneys or other assets of the
10 plan or has authority or responsibility to do so.

11 c. Has discretionary authority or discretionary
12 responsibility in the administration of the plan.

13 5. "*Investment company*" means the same as defined in 15
14 U.S.C. §80a-3.

15 6. "*Pension benefit plan*" or "*plan*" means a plan, fund, or
16 program established, maintained, or offered by a public entity,
17 including but not limited to a public retirement system as
18 defined in section 97D.5, if by its terms or as a result of
19 surrounding circumstances the plan, fund, or program does any of
20 the following:

21 a. Provides retirement income or other retirement benefits to
22 employees or former employees.

23 b. Results in a deferral of income by employees for a period
24 extending to the termination of covered employment or beyond.

25 7. "*Proxy advisory firm*" means a person who is engaged in the
26 business of providing proxy voting advice, research, analysis,
27 ratings, or recommendations to a fiduciary, shareholder, or
28 investor, including institutional investors.

29 8. "*Public entity*" means the state, political subdivisions of
30 the state, public school corporations, and all public officers,
31 boards, commissions, departments, agencies, and authorities
32 empowered by law to enter into public contracts for the
33 expenditure of public funds, including the state board of regents
34 and institutions under the control of the state board of regents.

35 9. "*Shareholder-sponsored proposal*" means a proposal

1 submitted to an issuer of securities by a shareholder under 17
2 C.F.R. §240.14a-8.

3 Sec. 2. NEW SECTION. **12L.2 Fiduciary voting**
4 **responsibilities.**

5 1. A fiduciary shall vote all shares held directly or
6 indirectly by, subject to, or on behalf of a pension benefit
7 plan for the benefit of the plan's participants and beneficiaries
8 solely in the best economic interest of the plan participants and
9 beneficiaries.

10 2. For purposes of this section, with respect to a
11 shareholder-sponsored proposal, there is a rebuttable presumption
12 that a fiduciary votes its shares solely in the best economic
13 interest of the plan participants and beneficiaries if the
14 fiduciary's vote follows the recommendation of the board of
15 directors of the issuer of the shares, as long as the board
16 includes a majority of independent directors.

17 3. With respect to a shareholder-sponsored proposal, a
18 fiduciary's vote in a manner inconsistent with the recommendation
19 of the board of directors of the issuer of the shares is presumed
20 to be in the best economic interest of the plan participants and
21 beneficiaries if any of the following criteria are met:

22 a. The fiduciary conducts and documents an economic analysis
23 demonstrating that such a vote is in the best economic interest
24 of the plan participants and beneficiaries.

25 b. On behalf of the fiduciary, a third party conducts and
26 documents an economic analysis demonstrating that such a vote
27 is in the best economic interest of the plan participants and
28 beneficiaries, and the fiduciary determines that the economic
29 analysis adequately demonstrates that such a vote is in the best
30 economic interest of the plan participants and beneficiaries.

31 4. A fiduciary shall not vote in a manner that does any of
32 the following:

33 a. Subordinates the economic interest of the plan's
34 participants and beneficiaries to any environmental, social,
35 policy, governance, or ideological goal.

1 b. Promotes any environmental, social, policy, governance, or
2 ideological goal, unless, based on an economic analysis, it is
3 determined that the vote is in the best economic interest of the
4 plan participants and beneficiaries.

5 5. With respect to shareholder-sponsored proposals, a
6 fiduciary shall annually disclose in a report to the treasurer
7 of state all of the following:

8 a. Each vote that was inconsistent with the recommendation
9 of an issuer's board of directors composed of a majority of
10 independent directors.

11 b. The economic analysis conducted and documented with
12 respect to each vote described in subsection 3 to determine
13 that the vote was in the best economic interest of the plan's
14 participants and beneficiaries.

15 6. The report required under subsection 5 must be certified
16 by the chief executive officer and chief financial officer, or an
17 individual acting in each capacity, of the fiduciary.

18 7. At least once every three years, a fiduciary shall back
19 test its economic analysis to ensure that the models, procedures,
20 and processes it uses predict the best economic interest of the
21 plan's participants and beneficiaries, and shall deliver a report
22 detailing such back testing to the treasurer of state. Based
23 on such back testing, the chief executive officer and chief
24 financial officer, or an individual acting in each capacity, of
25 the fiduciary shall certify that the economic analysis performed
26 by the fiduciary and included in the report is effective.

27 8. The court may award court costs and reasonable attorney
28 fees to a party who prevails in an action brought under this
29 section.

30 Sec. 3. NEW SECTION. **12L.3 Proxy advisory firms.**

31 1. A proxy advisory firm shall not provide proxy voting
32 advice with respect to shareholder-sponsored proposals submitted
33 to any enterprise that the state regulates, unless the proxy
34 advisory firm bases its voting recommendations solely on the best
35 economic interests of the enterprise's shareholders.

1 2. For purposes of this section, with respect to a
2 shareholder-sponsored proposal submitted to an enterprise
3 regulated by the state, there is a presumption that a proxy
4 advisory firm's voting recommendation is based solely on the
5 best economic interest of the enterprise's shareholders if
6 the recommendation follows the recommendation of the board of
7 directors of the issuer of the shares, as long as the board
8 includes a majority of independent directors.

9 3. With respect to a shareholder-sponsored proposal submitted
10 to an enterprise regulated by the state, a proxy advisory firm
11 may recommend a vote that is inconsistent with the recommendation
12 of the board of directors of the issuer of the shares if the
13 proxy advisory firm conducts and documents an economic analysis
14 demonstrating that such a vote is in the best economic interest
15 of the enterprise's shareholders.

16 4. With respect to shareholder-sponsored proposals submitted
17 to an enterprise regulated by the state, a proxy advisory firm
18 shall annually disclose in a report to the treasurer of state all
19 of the following:

20 a. Each vote recommendation that was inconsistent with the
21 recommendation of an issuer's board of directors composed of a
22 majority of independent directors.

23 b. The economic analysis conducted and documented with
24 respect to each vote recommendation described in subsection 3 to
25 determine that the vote recommendation was in the best economic
26 interest of the regulated enterprise's shareholders.

27 Sec. 4. NEW SECTION. **12L.4 Consumer right to disclosure.**

28 1. a. If a consumer has reason to believe that the
29 requirements of section 12L.2 or 12L.3 have not been met, a
30 consumer may submit a request to any of the following to obtain a
31 copy of the documented economic analysis demonstrating that such
32 a vote is solely in the best economic interest of the consumer:

33 (1) The investment company that owns shares of an enterprise
34 regulated by the state.

35 (2) The pension benefit plan, in each case, in which the

1 consumer is an investor, beneficiary, or participant.

2 b. There is a presumption that a vote is solely in the
3 best economic interest of the consumer if the vote follows the
4 recommendation of the board of directors of the issuer of the
5 shares, as long as the board includes a majority of independent
6 directors.

7 2. a. The investment company or plan shall respond in
8 writing to the consumer within ninety days of receipt of a
9 request described in subsection 1 by doing one of the following:

10 (1) Providing the consumer with the requested economic
11 analysis.

12 (2) Informing the consumer that no economic analysis is
13 available, if the investment company did not conduct and document
14 an economic analysis.

15 (3) Informing the consumer that the vote at issue was
16 consistent with the recommendation of the board of directors of
17 the issuer of the shares and such board is composed of a majority
18 of independent directors.

19 b. The investment company or plan shall provide information
20 in response to a consumer request at no cost up to twice annually
21 per consumer.

22 Sec. 5. NEW SECTION. **12L.5 Enforcement.**

23 1. This chapter may be enforced by the attorney general.

24 2. If the attorney general has reasonable cause to believe
25 that a person has engaged in, is engaging in, or is about to
26 engage in a violation of this chapter, the attorney general may
27 do any of the following:

28 a. Require the person to file on forms prescribed by the
29 attorney general a statement or report in writing, under oath,
30 as to all the circumstances surrounding the actual, alleged, or
31 potential violation and such other data and information as the
32 attorney general deems necessary.

33 b. Examine under oath any person in connection with the
34 actual, alleged, or potential violation.

35 c. Examine any record, book, document, account, or paper as

1 the attorney general deems necessary.

2 d. Issue civil investigatory demands consistent with
3 investigation into a potential enforcement action.

4 e. Under an order of the district court, impound any record,
5 book, document, account, paper, or sample or material relating to
6 the actual, alleged, or potential violation and retain the same
7 in the attorney general's possession until the completion of all
8 proceedings undertaken under this chapter or in court.

9 3. The attorney general may initiate an action in the name of
10 the state and may seek an injunction to restrain any violations
11 of this chapter. A violation of this chapter shall constitute
12 irreparable harm. Each share voted by a fiduciary that is
13 not voted in the best economic interest of the shareholder
14 constitutes a separate violation. The attorney general may also
15 seek civil penalties for each violation under this chapter. All
16 civil penalties issued shall be in equity. Civil penalties shall
17 not exceed one thousand dollars per violation. Civil penalties
18 collected under this chapter shall be deposited in the general
19 fund of the state.

20 Sec. 6. Section 97A.7, subsection 1, Code 2025, is amended to
21 read as follows:

22 1. The board of trustees shall be the trustees of the
23 retirement fund created by this chapter as provided in section
24 97A.8 and shall have full power to invest and reinvest funds
25 subject to the terms, conditions, limitations, and restrictions
26 imposed by subsection 2 and chapters 12F, 12H, 12J, and 12K,
27 and 12L and subject to like terms, conditions, limitations,
28 and restrictions said trustees shall have full power to hold,
29 purchase, sell, assign, transfer, or dispose of any of the
30 securities and investments of the retirement fund which have
31 been invested, as well as of the proceeds of said investments
32 and any moneys belonging to the retirement fund. The board of
33 trustees may authorize the treasurer of state to exercise any of
34 the duties of this section. When so authorized the treasurer of
35 state shall report any transactions to the board of trustees at

1 its next monthly meeting.

2 Sec. 7. Section 97B.4, subsection 5, Code 2025, is amended to
3 read as follows:

4 5. *Investments.* The system, through the chief investment
5 officer, shall invest, subject to chapters 12F, 12H, 12J, and
6 12K, and 12L and in accordance with the investment policy and
7 goal statement established by the board, the portion of the
8 retirement fund which, in the judgment of the system, is not
9 needed for current payment of benefits under this chapter subject
10 to the requirements of section 97B.7A.

11 Sec. 8. Section 97B.7A, subsection 1, Code 2025, is amended
12 by adding the following new paragraph:

13 NEW PARAGRAPH. d. Prioritize the best economic interest of
14 the system's participants and beneficiaries in accordance with
15 chapter 12L.

16 Sec. 9. Section 262.14, unnumbered paragraph 1, Code 2025, is
17 amended to read as follows:

18 The board may invest funds belonging to the institutions,
19 subject to chapters 12F, 12H, 12J, and 12K, and 12L and the
20 following regulations:

21 EXPLANATION

22 The inclusion of this explanation does not constitute agreement with
23 the explanation's substance by the members of the general assembly.

24 This bill requires a fiduciary to vote all shares of a
25 pension benefit plan established, maintained, or offered by
26 a public entity solely in the best economic interest of the
27 plan participants and beneficiaries. The bill creates the
28 rebuttable presumption that, if a fiduciary's vote aligns with
29 the recommendation of the board of directors of the issuer
30 of the shares or if the fiduciary or a third party conducts
31 and documents an economic analysis showing that the vote is
32 in the best economic interest of the plan participants and
33 beneficiaries, the vote is in the best interest of the plan
34 participants and beneficiaries. The bill prohibits a fiduciary
35 from voting shares of a plan based on any environmental, social,

1 policy, governance, or ideological goal that is not in the best
2 economic interest of plan participants and beneficiaries.

3 The bill requires a fiduciary to annually report to the
4 treasurer of state any vote inconsistent with the recommendation
5 of an issuer's board of directors and the economic analysis on
6 which the fiduciary relied. This report must be certified by the
7 fiduciary's chief executive officer and chief financial officer.

8 The bill also requires a fiduciary to review its economic
9 analysis every three years to ensure that the fiduciary's models,
10 procedures, and processes predict the best economic interest of
11 the plan participants and beneficiaries.

12 The bill permits a court to award court costs and reasonable
13 attorney fees to the prevailing party in a suit concerning
14 fiduciary voting responsibilities under the bill.

15 The bill prohibits a proxy advisory firm from providing proxy
16 voting advice regarding shareholder-sponsored proposals to an
17 entity that the state regulates unless the advice is based solely
18 on the best economic interests of the enterprise's shareholders.
19 If a proxy advisory firm's advice follows the recommendation of
20 the board of directors of the issuer of the shares or if the
21 proxy advisory firm conducts and documents an economic analysis
22 demonstrating that the vote is in the best economic interest
23 of the plan participants and beneficiaries, then the advice
24 is presumed to be based solely on the best economic interest
25 of the enterprise's shareholders. A proxy advisory firm must
26 submit an annual report to the treasurer of state disclosing
27 any vote inconsistent with the issuer's board of directors'
28 recommendations and the economic analysis on which the proxy
29 advisory firm relied.

30 The bill permits an investor, beneficiary, or participant of
31 a plan to submit a request for the economic analysis conducted
32 for a fiduciary's vote to the investment company that owns shares
33 of an enterprise regulated by the state or the plan if the
34 individual has reason to believe the provisions of the bill
35 have not been met. The investment company or plan must respond

1 in writing within 90 days by providing the requested economic
2 analysis or informing the individual that no economic analysis
3 was conducted or the vote aligned with the recommendation of the
4 board of directors of the issuer of the shares. The investment
5 company or plan must provide such a response without cost up to
6 twice annually per consumer.

7 The bill allows the attorney general to investigate any
8 suspected violations of the bill and to enforce the bill's
9 provisions by initiating an action in the name of the state and
10 seeking civil penalties for each violation. Each share not voted
11 in the best economic interest of the shareholder qualifies as a
12 separate violation and constitutes irreparable harm. The bill
13 requires civil penalties to be in equity and to not exceed \$1,000
14 per violation. Civil penalties collected under the bill are
15 deposited in the general fund of the state.

16 The bill makes conforming changes.