

**Second Regular Session  
Seventieth General Assembly  
STATE OF COLORADO**

**REVISED**

*This Version Includes All Amendments Adopted  
on Second Reading in the Second House*

LLS NO. 16-0038.01 Nicole Myers x4326

**HOUSE BILL 16-1284**

**HOUSE SPONSORSHIP**

**Nordberg and Moreno**, Sias, Court, DelGrosso, Duran, Everett, Garnett, Kagan, Klingenschmitt, Kraft-Tharp, Lawrence, Lundeen, Pabon, Pettersen, Williams

**SENATE SPONSORSHIP**

**Hill and Garcia**, Cadman, Scheffel, Crowder, Grantham, Holbert, Johnston, Sonnenberg, Neville T.

**House Committees**  
Business Affairs and Labor

**Senate Committees**  
Finance

**A BILL FOR AN ACT**

101     **CONCERNING DIVESTMENT BY THE PUBLIC EMPLOYEES' RETIREMENT**  
102             **ASSOCIATION FROM COMPANIES THAT HAVE ECONOMIC**  
103             **PROHIBITIONS AGAINST THE STATE OF ISRAEL.**

**Bill Summary**

*(Note: This summary applies to this bill as introduced and does not reflect any amendments that may be subsequently adopted. If this bill passes third reading in the house of introduction, a bill summary that applies to the reengrossed version of this bill will be available at <http://www.leg.state.co.us/bills summaries>.)*

The bill requires the public employees' retirement association (PERA) to make its best efforts to identify all companies that have economic prohibitions against Israel (restricted company), to assemble those identified companies into a list of restricted companies by January 1, 2017, and to review the list of restricted companies on a biannual basis.

Shading denotes HOUSE amendment. Double underlining denotes SENATE amendment.  
*Capital letters indicate new material to be added to existing statute.*  
*Dashes through the words indicate deletions from existing statute.*

SENATE  
Amended 2nd Reading  
March 8, 2016

HOUSE  
3rd Reading Unamended  
February 26, 2016

HOUSE  
Amended 2nd Reading  
February 25, 2016

For each company on the list of restricted companies, the bill requires PERA to send a written notice informing the company of its status and that it may become subject to divestment by PERA. If a company ceases activity that designates it as a restricted company, PERA will remove the company from the list.

If a company remains a restricted company 180 days following PERA's first engagement with the company, PERA is required to divest all direct holdings of the restricted company from its assets. If on the date of divestment PERA does not own direct holdings in a company on the list of restricted companies, PERA is prohibited from acquiring direct holdings in any company on the list of restricted companies during the time that it remains on the list.

Upon request, and at least annually, PERA is required to make available on its website information regarding investments sold, redeemed, divested, or withdrawn in compliance with the bill.

The bill specifies the circumstances under which PERA may cease divesting from companies, based on the value of the investments.

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1 *Be it enacted by the General Assembly of the State of Colorado:*

2 **SECTION 1.** In Colorado Revised Statutes, **add** part 2 to article  
3 54.8 of title 24 as follows:

4 PART 2

5 DIVESTMENT FROM COMPANIES THAT

6 HAVE ECONOMIC PROHIBITIONS AGAINST ISRAEL

7

8 **24-54.8-201. Definitions.** AS USED IN THIS PART 2, UNLESS THE  
9 CONTEXT OTHERWISE REQUIRES:

10 (1) "COMPANY" MEANS ANY ENTITY THAT HAS PUBLICLY TRADED  
11 SECURITIES AND IS AN ORGANIZATION, ASSOCIATION, CORPORATION,  
12 PARTNERSHIP, JOINT VENTURE, LIMITED PARTNERSHIP, LIMITED LIABILITY  
13 PARTNERSHIP, LIMITED LIABILITY COMPANY, OR OTHER ENTITY OR  
14 BUSINESS ASSOCIATION, INCLUDING ALL WHOLLY OWNED SUBSIDIARIES,  
15 MAJORITY-OWNED SUBSIDIARIES, OR PARENT COMPANIES OF SUCH  
16 ENTITIES OR BUSINESS ASSOCIATIONS, THAT EXISTS FOR PROFIT-MAKING

1 PURPOSES.

2 (2) "DIRECT HOLDINGS" MEANS ALL PUBLICLY TRADED SECURITIES  
3 OF A COMPANY HELD DIRECTLY BY THE PUBLIC EMPLOYEES' RETIREMENT  
4 ASSOCIATION OR IN AN ACCOUNT OR FUND IN WHICH THE PUBLIC  
5 EMPLOYEES' RETIREMENT ASSOCIATION OWNS ALL SHARES OR INTERESTS.

6 (3) "ECONOMIC PROHIBITIONS AGAINST ISRAEL" MEANS ENGAGING  
7 IN ACTIONS THAT ARE POLITICALLY MOTIVATED AND ARE INTENDED TO  
8 PENALIZE, INFLICT ECONOMIC HARM ON, OR OTHERWISE LIMIT  
9 COMMERCIAL RELATIONS WITH THE STATE OF ISRAEL INCLUDING, BUT NOT  
10 LIMITED TO, THE BOYCOTT OF, DIVESTMENT FROM, OR IMPOSITION OF  
11 SANCTIONS ON THE STATE OF ISRAEL. ANY ACTIONS PERMITTED UNDER  
12 APPLICABLE FEDERAL ANTI-BOYCOTT LAWS SHALL NOT BE CONSIDERED  
13 ECONOMIC PROHIBITIONS AGAINST ISRAEL.

14 (4) "PUBLICLY TRADED SECURITIES" MEANS OWNERSHIP INTEREST  
15 OR DEBT INSTRUMENTS THAT ARE CURRENTLY TRADED ON A SECURITIES  
16 EXCHANGE THAT IS OFFICIALLY RECOGNIZED, SANCTIONED, OR  
17 SUPERVISED BY A GOVERNMENTAL AUTHORITY OF THE COUNTRY IN WHICH  
18 THE MARKET IS LOCATED OR CURRENTLY TRADED THROUGH AN  
19 OVER-THE-COUNTER MARKET THAT IS REFLECTED BY THE EXISTENCE OF  
20 AN INTERDEALER QUOTATION SYSTEM.

21 (5) "RESTRICTED COMPANIES" MEANS COMPANIES THAT HAVE  
22 ECONOMIC PROHIBITIONS AGAINST ISRAEL.

23 **24-54.8-202. Transactions prohibited by the public employees'**  
24 **retirement association - companies that have economic prohibitions**  
25 **against Israel - restricted companies list.** (1) BY JANUARY 1, 2017, THE  
26 PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION CREATED IN ARTICLE 51 OF  
27 THIS TITLE SHALL MAKE ITS BEST EFFORTS TO IDENTIFY ALL RESTRICTED

1 COMPANIES IN WHICH THE ASSOCIATION HAS DIRECT HOLDINGS OR COULD  
2 POSSIBLY HAVE SUCH HOLDINGS IN THE FUTURE AND ASSEMBLE THOSE  
3 COMPANIES INTO A LIST OF RESTRICTED COMPANIES. THESE EFFORTS  
4 SHALL INCLUDE THE FOLLOWING, AS APPROPRIATE IN THE JUDGMENT OF  
5 THE ASSOCIATION:

6 (a) REVIEWING AND RELYING ON PUBLICLY AVAILABLE  
7 INFORMATION REGARDING COMPANIES THAT HAVE ECONOMIC  
8 PROHIBITIONS AGAINST ISRAEL, INCLUDING INFORMATION PROVIDED BY  
9 NONPROFIT ORGANIZATIONS, RESEARCH FIRMS, AND GOVERNMENT  
10 ENTITIES;

11 (b) CONTACTING ASSET MANAGERS CONTRACTED BY THE  
12 ASSOCIATION THAT INVEST IN COMPANIES THAT HAVE ECONOMIC  
13 PROHIBITIONS AGAINST ISRAEL;

14 (c) CONTACTING OTHER INSTITUTIONAL INVESTORS THAT HAVE  
15 DIVESTED FROM OR ENGAGED WITH COMPANIES THAT HAVE ECONOMIC  
16 PROHIBITIONS AGAINST ISRAEL; AND

17 (d) RETAINING AN INDEPENDENT RESEARCH FIRM OR  
18 ORGANIZATION TO IDENTIFY COMPANIES THAT HAVE ECONOMIC  
19 PROHIBITIONS AGAINST ISRAEL. IT SHALL BE REASONABLE AND SUFFICIENT  
20 FOR THE ASSOCIATION TO RELY ON INFORMATION AND WORK PRODUCT  
21 OBTAINED FROM SUCH RESEARCH FIRM OR ORGANIZATION; EXCEPT THAT  
22 THE BOARD OF TRUSTEES OF THE PUBLIC EMPLOYEES' RETIREMENT  
23 ASSOCIATION SHALL REVIEW AND APPROVE ANY COMPANIES IDENTIFIED  
24 BY AN INDEPENDENT RESEARCH FIRM BEFORE INCLUDING SUCH COMPANIES  
25 ON THE LIST OF RESTRICTED COMPANIES PURSUANT TO THIS SUBSECTION  
26 (1).

27 (2) THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION SHALL

1 REVIEW THE LIST OF RESTRICTED COMPANIES ON A BIENNIAL BASIS BASED  
2 ON EVOLVING INFORMATION FROM, AMONG OTHER SOURCES, THOSE LISTED  
3 IN SUBSECTION (1) OF THIS SECTION.

4 (3) THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION SHALL  
5 ADHERE TO THE FOLLOWING PROCEDURES FOR COMPANIES ON THE LIST OF  
6 RESTRICTED COMPANIES:

7 (a) FOR EACH COMPANY NEWLY IDENTIFIED IN SUBSECTION (1) OF  
8 THIS SECTION, THE ASSOCIATION SHALL SEND A WRITTEN NOTICE  
9 INFORMING THE COMPANY OF ITS STATUS AND THAT IT MAY BECOME  
10 SUBJECT TO DIVESTMENT BY THE ASSOCIATION.

11 (b) IF, FOLLOWING THE ASSOCIATION'S ENGAGEMENT PURSUANT TO  
12 THIS SUBSECTION (3) WITH A RESTRICTED COMPANY, THAT COMPANY  
13 CEASES ACTIVITY THAT DESIGNATES IT AS A COMPANY THAT HAS  
14 ECONOMIC PROHIBITIONS AGAINST ISRAEL, THE COMPANY SHALL BE  
15 REMOVED FROM THE LIST OF RESTRICTED COMPANIES AND THE PROVISIONS  
16 OF THIS SECTION SHALL CEASE TO APPLY TO IT UNLESS IT RESUMES SUCH  
17 ACTIVITIES.

18 (c) IF, AFTER ONE HUNDRED EIGHTY DAYS FOLLOWING THE  
19 ASSOCIATION'S FIRST ENGAGEMENT WITH A COMPANY PURSUANT TO  
20 PARAGRAPH (b) OF THIS SUBSECTION (3), THE COMPANY REMAINS A  
21 RESTRICTED COMPANY, THE ASSOCIATION SHALL INSTRUCT ITS  
22 INVESTMENT ADVISORS TO SELL, REDEEM, DIVEST, OR WITHDRAW ALL  
23 DIRECT HOLDINGS OF RESTRICTED COMPANIES FROM THE ASSOCIATION'S  
24 ASSETS UNDER MANAGEMENT IN AN ORDERLY AND FIDUCIARILY  
25 RESPONSIBLE MANNER WITHIN TWELVE MONTHS AFTER THE COMPANY'S  
26 MOST RECENT APPEARANCE ON THE LIST OF RESTRICTED COMPANIES.

27 (d) IF, UPON THE COMMENCEMENT OF THE DATE OF DIVESTMENT,

1 THE ASSOCIATION DOES NOT OWN DIRECT HOLDINGS IN A COMPANY ON THE  
2 LIST OF RESTRICTED COMPANIES, THE ASSOCIATION IS PROHIBITED FROM  
3 ACQUIRING DIRECT HOLDINGS IN ANY COMPANY ON THE LIST OF  
4 RESTRICTED COMPANIES DURING THE TIME THAT IT REMAINS ON THE LIST.

5 (4) NOTWITHSTANDING ANY OTHER PROVISION OF THIS PART 2, THE  
6 HOLDINGS IN THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION'S  
7 DEFINED CONTRIBUTION PLANS ARE NOT SUBJECT TO THIS PART 2.

8 (5) UPON REQUEST, AND AT LEAST ANNUALLY, THE PUBLIC  
9 EMPLOYEES' RETIREMENT ASSOCIATION SHALL MAKE AVAILABLE ON ITS  
10 WEBSITE INFORMATION REGARDING INVESTMENTS SOLD, REDEEMED,  
11 DIVESTED, OR WITHDRAWN IN COMPLIANCE WITH THIS SECTION.

12 (6) NOTWITHSTANDING ANY PROVISION OF THIS SECTION TO THE  
13 CONTRARY, THE PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION MAY  
14 CEASE DIVESTING FROM COMPANIES PURSUANT TO SUBSECTION (3) OF THIS  
15 SECTION IF CLEAR AND CONVINCING EVIDENCE SHOWS THAT THE VALUE  
16 FOR ALL ASSETS UNDER MANAGEMENT BY THE ASSOCIATION BECOMES  
17 EQUAL TO OR LESS THAN NINETY-NINE AND ONE-HALF PERCENT, OR FIFTY  
18 BASIS POINTS, OF THE HYPOTHETICAL VALUE OF ALL ASSETS UNDER  
19 MANAGEMENT BY THE ASSOCIATION ASSUMING NO DIVESTMENT FOR ANY  
20 COMPANY HAD OCCURRED PURSUANT TO SUBSECTION (3) OF THIS SECTION.

21 (7) WITH RESPECT TO ACTIONS TAKEN IN COMPLIANCE WITH THIS  
22 PART 2, INCLUDING ALL GOOD-FAITH DETERMINATIONS REGARDING  
23 COMPANIES AS REQUIRED BY THIS SECTION, THE PUBLIC EMPLOYEES'  
24 RETIREMENT ASSOCIATION IS EXEMPT FROM ANY CONFLICTING STATUTORY  
25 OR COMMON LAW OBLIGATIONS, INCLUDING ANY FIDUCIARY DUTIES AND  
26 ANY OBLIGATIONS WITH RESPECT TO CHOICE OF ASSET MANAGERS,  
27 INVESTMENT FUNDS, OR INVESTMENTS FOR THE ASSOCIATION'S SECURITIES

1 PORTFOLIOS.

2 (8) WITH RESPECT TO ALL ACTIONS TAKEN IN GOOD FAITH  
3 COMPLIANCE WITH THIS PART 2, THE PUBLIC EMPLOYEES' RETIREMENT  
4 ASSOCIATION, ITS BOARD OF DIRECTORS, INDIVIDUAL BOARD MEMBERS,  
5 AGENTS, TRUSTEES, OFFICERS, EMPLOYEES, CUSTODIANS, AND FIDUCIARIES  
6 SHALL BE IMMUNE FROM ANY LIABILITY.

7 **24-54.8-203. Legislative intent.** BY ENACTING THIS PART 2, IT IS  
8 NOT THE INTENT OF THE GENERAL ASSEMBLY TO CAUSE DIVESTITURE FROM  
9 ANY COMPANY BASED IN THE UNITED STATES. THE PUBLIC EMPLOYEES'  
10 RETIREMENT ASSOCIATION SHALL CONSIDER THIS INTENT WHEN  
11 DEVELOPING OR REVIEWING THE LIST OF RESTRICTED COMPANIES.

12 **24-54.8-204. Severability.** IF ANY PROVISION OF THIS PART 2 OR  
13 THE APPLICATION THEREOF TO ANY PERSON OR CIRCUMSTANCE IS HELD  
14 INVALID, SUCH INVALIDITY DOES NOT AFFECT OTHER PROVISIONS OR  
15 APPLICATIONS OF THIS PART 2 THAT CAN BE GIVEN EFFECT WITHOUT THE  
16 INVALID PROVISION OR APPLICATION, AND TO THIS END THE PROVISIONS OF  
17 THIS PART 2 ARE DECLARED TO BE SEVERABLE.

18 **SECTION 2.** In Colorado Revised Statutes, 24-54.8-101, **amend**  
19 (1) (r), (2), and (3) as follows:

20 **24-54.8-101. Legislative declaration - post-enactment review.**

21 (1) The general assembly hereby finds and declares that:

22 (r) It is the judgment of the general assembly that this ~~article~~ PART  
23 1 should remain in effect only insofar as it continues to be consistent with,  
24 and does not unduly interfere with, the foreign policy of the United States  
25 as determined by the federal government.

26 (2) The general assembly further finds and declares that state and  
27 local entities that are not subject to the requirements of this ~~article~~ PART

1 1 are encouraged to take voluntary action to divest from the companies  
2 specified in this ~~article~~ PART 1.

3 (3) The general assembly further finds and declares that the  
4 desired result of this ~~article~~ PART 1 for the purpose of post-enactment  
5 review is that all public funds sell, redeem, divest, or withdraw  
6 investments in scrutinized companies with active business operations in  
7 Sudan and maintain communication with scrutinized companies with  
8 inactive business operations in Sudan, in accordance with the provisions  
9 of this ~~article~~ PART 1.

10 **SECTION 3.** In Colorado Revised Statutes, 24-54.8-102, **amend**  
11 introductory portion and (16) (c) as follows:

12 **24-54.8-102. Definitions.** As used in this ~~article~~ PART 1, unless  
13 the context otherwise requires:

14 (16) "Scrutinized company" means a company that meets any of  
15 the following criteria:

16 (c) The company supplies military equipment within Sudan,  
17 unless it clearly shows that the military equipment cannot be used to  
18 facilitate offensive military actions in Sudan or the company implements  
19 rigorous and verifiable safeguards to prevent use of that equipment by  
20 forces actively participating in armed conflict, such as through post-sale  
21 tracking of such equipment by the company, certification from a reputable  
22 and objective third party that such equipment is not being used by a party  
23 participating in armed conflict in Sudan, or sale of such equipment solely  
24 to the regional government of southern Sudan or any internationally  
25 recognized peacekeeping force or humanitarian organization.  
26 Notwithstanding any provision of this ~~article~~ PART 1 to the contrary, a  
27 social development company that is not complicit in the Darfur genocide

1 shall not be considered a scrutinized company.

2 **SECTION 4.** In Colorado Revised Statutes, 24-54.8-104, **amend**  
3 (1) (b), (5), and (6) as follows:

4 **24-54.8-104. Required actions.** (1) **Engagement.** A public fund  
5 shall adhere to the following procedures for companies on the scrutinized  
6 companies list:

7 (b) For each company identified pursuant to paragraph (a) of this  
8 subsection (1) with only inactive business operations, the public fund  
9 shall send a written notice informing the company of this ~~article~~ PART 1  
10 and encouraging it to continue to refrain from initiating active business  
11 operations in Sudan until it is able to avoid scrutinized business  
12 operations. The public fund shall continue such correspondence on a  
13 semi-annual basis.

14 (5) **Excluded securities.** Notwithstanding any other provision of  
15 this ~~article~~ PART 1, subsections (2) and (3) of this section do not apply to  
16 indirect holdings in actively managed investment funds. A public fund  
17 shall, however, submit letters to the managers of such investment funds  
18 containing companies with scrutinized active business operations  
19 requesting that they consider removing such companies from the fund or  
20 create a similar actively managed fund with indirect holdings devoid of  
21 such companies. If the manager creates a similar fund and if the public  
22 fund determines investment in the similar fund is consistent with prudent  
23 investment standards, the public fund shall replace all applicable  
24 investments with investments in the similar fund in an expedited time. In  
25 addition, notwithstanding any other provision of this ~~article~~ PART 1, for  
26 passively managed indirect holdings, if the manager does not remove  
27 such companies or create a similar fund consistent with prudent

1 investment standards by October 1, 2008, or nine months after the date  
2 the public fund first requests the manager to act, whichever is later, then  
3 the scrutinized companies with active business operations shall be  
4 removed from the indirect passively managed assets of the public fund.

5 (6) **Defined contribution plans.** Notwithstanding any other  
6 provision of this ~~article~~ PART 1, public funds, when discharging their  
7 responsibility for operation of a defined contribution plan, shall engage  
8 the manager of the investment offerings in such plans requesting that they  
9 consider removing scrutinized companies from the investment offerings  
10 or create an alternative investment offering devoid of scrutinized  
11 companies. If the manager creates an alternative investment offering and  
12 the offering is deemed consistent with prudent investor standards by the  
13 public fund, the public fund shall consider including such investment  
14 offering in the plan.

15 **SECTION 5.** In Colorado Revised Statutes, 24-54.8-106, **amend**  
16 (1) introductory portion and (1) (c) as follows:

17 **24-54.8-106. Provisions for repeal.** (1) This ~~article~~ PART 1 is  
18 repealed upon the occurrence of any one of the following:

19 (c) The congress or president of the United States, through  
20 legislation or executive order, declares that mandatory divestment of the  
21 type provided for in this ~~article~~ PART 1 interferes with the conduct of  
22 United States foreign policy.

23 **SECTION 6. Act subject to petition - effective date.** This act  
24 takes effect at 12:01 a.m. on the day following the expiration of the  
25 ninety-day period after final adjournment of the general assembly (August  
26 10, 2016, if adjournment sine die is on May 11, 2016); except that, if a  
27 referendum petition is filed pursuant to section 1 (3) of article V of the

1 state constitution against this act or an item, section, or part of this act  
2 within such period, then the act, item, section, or part will not take effect  
3 unless approved by the people at the general election to be held in  
4 November 2016 and, in such case, will take effect on the date of the  
5 official declaration of the vote thereon by the governor.