

SENATE
STATE OF MINNESOTA
NINETY-SECOND SESSION

S.F. No. 3928

(SENATE AUTHORS: HOUSLEY, Senjem, López Franzen, Dziedzic and Coleman)

DATE	D-PG	OFFICIAL STATUS
03/10/2022	5287	Introduction and first reading Referred to State Government Finance and Policy and Elections
03/23/2022		Comm report: To pass as amended Second reading

1.1A bill for an act

1.2relating to state government; requiring divestment from certain investments relating

1.3to Russia; terminating contracts with Russian entities; requiring a report; proposing

1.4coding for new law in Minnesota Statutes, chapters 11A; 16C.

1.5BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

1.6Section 1. [11A.245] INVESTMENT IN RUSSIA.

1.7Subdivision 1. Definitions. (a) For the purposes of this section, the following terms have

1.8the meanings given.

1.9(b) "Active business operations" means all business operations that are not inactive

1.10business operations.

1.11(c) "Company" means any sole proprietorship, organization, association, corporation,

1.12partnership, joint venture, limited partnership, limited liability partnership, limited liability

1.13company, or other entity or business association, including all wholly owned subsidiaries,

1.14majority-owned subsidiaries, parent companies, or affiliates of such entities or business

1.15associations, that exists for profit-making purposes.

1.16(d) "Direct holdings" means all publicly traded debt and equity securities of a company

1.17that are held directly by the State Board of Investment or held in an account or fund in which

1.18the State Board of Investment owns all shares or interests.

1.19(e) "Government of Russia" means the government of the Russian Federation or its

1.20instrumentalities or political subdivisions and companies owned or controlled by the Russian

1.21Federation.

2.1 (f) "Inactive business operations" means the continued holding or renewal of rights to
2.2 property previously operated for the purpose of generating revenues but not presently
2.3 deployed for such a purpose.

2.4 (g) "Indirect holdings" means all investments held in an account or fund, including a
2.5 mutual fund, a real estate fund, a private equity fund, or a commingled fund, managed by
2.6 one or more persons who are not employed by the State Board of Investment, in which the
2.7 public funds own shares or interests together with other investors who are not subject to
2.8 this section.

2.9 (h) "Scrutinized company" means any company engaging in scrutinized business
2.10 operations.

2.11 (i) "Scrutinized business operations" means any and all active business operations that
2.12 are subject or liable to sanctions under applicable federal law. Scrutinized business operations
2.13 does not include the retail sale of gasoline and related products.

2.14 (j) "Substantial action specific to Russia" means adopting, publicizing, and implementing
2.15 a formal plan to cease scrutinized business operations within one year and to refrain from
2.16 any such new business operations.

2.17 Subd. 2. **Identification of scrutinized companies.** (a) No later than August 1, 2022,
2.18 the State Board of Investment shall make its best efforts to identify all scrutinized companies
2.19 in which it has direct holdings. These efforts shall include, as appropriate:

2.20 (1) reviewing and relying on, as appropriate, publicly available information regarding
2.21 companies with business operations in Russia, including information provided by nonprofit
2.22 organizations, research firms, international organizations, and government entities;

2.23 (2) contacting asset managers contracting with the State Board of Investment who invest
2.24 in companies with business operations in Russia; and

2.25 (3) contacting other institutional investors that have divested from or engaged with
2.26 companies with business operations in Russia.

2.27 (b) At the first meeting of the State Board of Investment after it has completed the
2.28 requirements of paragraph (a), the State Board of Investment shall assemble a list of
2.29 scrutinized companies in which it has direct holdings.

2.30 (c) The State Board of Investment shall update the scrutinized companies list each quarter
2.31 based on continuing information, including but not limited to information from sources
2.32 identified in paragraph (a).

3.1 Subd. 3. **Engagement of scrutinized companies.** The State Board of Investment shall
3.2 use the following procedures with respect to companies on the scrutinized companies list:

3.3 (1) for each company newly identified in subdivision 2 with scrutinized business
3.4 operations, the State Board of Investment shall, within 90 days following its assembly of
3.5 the scrutinized companies list, send a written notice informing the company of its scrutinized
3.6 company status and that it may become subject to divestment by the State Board of
3.7 Investment. The notice shall offer the company the opportunity to clarify its scrutinized
3.8 business operations and shall encourage the company to cease, within 90 days of the date
3.9 of the notice, its scrutinized business operations, or convert them to inactive business
3.10 operations in order to avoid divestment by the State Board of Investment; and

3.11 (2) if, within 90 days following the State Board of Investment's first engagement with
3.12 a company under clause (1), that company publicly announces its commitment to substantial
3.13 action specific to Russia, that company shall be removed from the scrutinized companies
3.14 list and the provisions of this section shall cease to apply to the company unless the company
3.15 resumes active business operations in Russia.

3.16 Subd. 4. **Divestment.** (a) If, after 90 days following the State Board of Investment's first
3.17 engagement with a company under subdivision 3, clause (1), the company continues to have
3.18 scrutinized business operations, and only while the company continues to have scrutinized
3.19 business operations, the State Board of Investment shall sell, redeem, divest, or withdraw
3.20 all publicly traded securities of the company according to the following schedule:

3.21 (1) at least 50 percent of the holdings in the company shall be removed from the State
3.22 Board of Investment's assets under management by nine months after the company's initial
3.23 appearance on the scrutinized companies list; and

3.24 (2) 100 percent of the holdings in the company shall be removed from the State Board
3.25 of Investment's assets under management within 15 months after the company's initial
3.26 appearance on the scrutinized companies list.

3.27 (b) If a company that ceased scrutinized business operations following engagement
3.28 under subdivision 3, clause (1), resumes such operations, paragraph (a) immediately applies
3.29 to the company and the State Board of Investment shall send a written notice to the company.
3.30 The company shall also be immediately reintroduced onto the scrutinized companies list.

3.31 Subd. 5. **Prohibition on new acquisitions.** The State Board of Investment may not
3.32 acquire securities of companies on the scrutinized companies list that have scrutinized
3.33 business operations, except as provided in this section.

4.1 Subd. 6. **Relation to federal action.** If the federal government excludes a company from
4.2 its present or any future federal sanctions relating to Russia, that company is exempt from
4.3 the divestment requirements and the investment prohibitions in this section.

4.4 Subd. 7. **Exemptions.** Subdivisions 4 and 5 do not apply to any of the following:

4.5 (1) investments in a company that is primarily engaged in supplying goods or services
4.6 intended to relieve human suffering in Russia;

4.7 (2) investments in a company that is primarily engaged in promoting health; education;
4.8 or journalistic, religious, or welfare activities in Russia; and

4.9 (3) investments in a United States company that is authorized by the federal government
4.10 to have active business operations in Russia.

4.11 Subd. 8. **Excluded securities.** Subdivisions 4 and 5 do not apply to indirect holdings in
4.12 actively managed investment funds. The State Board of Investment shall submit letters to
4.13 the managers of investment funds containing companies with scrutinized active business
4.14 operations requesting the managers to consider removing such companies from the fund or
4.15 to create a similar actively managed fund with indirect holdings that do not include the
4.16 companies. If a manager creates a similar fund, the State Board of Investment shall promptly
4.17 replace all applicable investments with investments in the similar fund consistent with
4.18 prudent investing standards. For the purposes of this section, private equity funds shall be
4.19 deemed to be actively managed investment funds.

4.20 Subd. 9. **Reporting.** By January 15 of each calendar year, the State Board of Investment
4.21 shall submit a report to the chairs and ranking minority members of the legislative committees
4.22 and divisions with jurisdiction over the State Board of Investment. The report must include:

4.23 (1) a copy of the most recent list of scrutinized companies;

4.24 (2) a summary of correspondence with companies engaged by the State Board of
4.25 Investment under subdivision 3;

4.26 (3) a list of all investments sold, redeemed, divested, or withdrawn in compliance with
4.27 subdivision 4;

4.28 (4) a list of all prohibited investments under subdivision 5; and

4.29 (5) a description of any progress made under subdivision 8.

4.30 Subd. 10. **Expiration.** This section ceases to be operative if the president of the United
4.31 States determines and certifies that state legislation similar to this section interferes with
4.32 the conduct of United States foreign policy.

5.1 Subd. 11. **Other legal obligations.** The State Board of Investment is exempt from any
5.2 statutory or common law obligations that conflict with actions taken in compliance with
5.3 this section, including all good-faith determinations regarding companies as required by
5.4 this section, including any obligations regarding the choice of asset managers, investment
5.5 funds, or investments for the State Board of Investment's securities portfolios.

5.6 Subd. 12. **Severability.** The provisions of this section are severable. If any provision of
5.7 this section or its application is held invalid, that invalidity does not affect other provisions
5.8 or applications that can be given effect without the invalid provision or application.

5.9 **EFFECTIVE DATE.** This section is effective the day following final enactment.

5.10 Sec. 2. **[16C.051] CONTRACTS WITH RUSSIA.**

5.11 Subdivision 1. **Definitions.** (a) For purposes of this section, the following terms have
5.12 the meanings given.

5.13 (b) "Russian entity" means an institution or company that is headquartered in the Russian
5.14 Federation or has its principal place of business in the Russian Federation.

5.15 (c) "State agencies" means the departments and agencies listed in section 15.06,
5.16 subdivision 1, as well as the Office of Higher Education and the Department of Military
5.17 Affairs.

5.18 Subd. 2. **Terminating contracts with Russia.** (a) All state agencies must:

5.19 (1) review existing contracts to determine if any existing contracts are with Russian
5.20 entities;

5.21 (2) terminate existing contracts with Russian entities as practicable; and

5.22 (3) refrain from entering into contracts with Russian entities unless the head of the state
5.23 agency determines that there is no suitable alternative.

5.24 (b) State entities not defined in subdivision 1, must review existing contracts, terminate
5.25 contracts with Russian entities, and avoid future contracts with Russian entities.

5.26 (c) Nothing in this section is intended to require or encourage state agencies to terminate
5.27 or avoid contracts with Minnesota companies or other domestic entities, or to relieve state
5.28 agencies of any obligations under applicable laws, rules, or regulations related to contracting
5.29 and procurement.

- 6.1 Subd. 3. **Severability.** The provisions of this section are severable. If any provision of
- 6.2 this section or its application is held invalid, that invalidity does not affect other provisions
- 6.3 or applications that can be given effect without the invalid provision or application.