

House Bill 2571

Sponsored by Representative DIEHL; Representative JAVADI, Senator THATCHER (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**. The statement includes a measure digest written in compliance with applicable readability standards.

Digest: The Act makes rules for people who care for public pension benefit plans. (Flesch Readability Score: 76.5).

Establishes standards for fiduciary of pension benefit plan offered by public body. Limits factors that may be considered in investment of assets of plan.

A BILL FOR AN ACT

Relating to pension benefit plans offered by public bodies.

Be It Enacted by the People of the State of Oregon:

SECTION 1. Sections 1 to 6 of this 2025 Act shall be known and may be cited as the Public Pension Protection Act.

SECTION 2. As used in sections 1 to 6 of this 2025 Act:

(1) "Fiduciary" means a person who with respect to a pension benefit plan:

(a) Exercises any discretionary authority or discretionary control respecting management of the plan or exercises any authority or control respecting management or disposition of the plan's assets;

(b) Renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the plan, or has any authority or responsibility to do so; or

(c) Has any discretionary authority or discretionary responsibility in the administration of the plan, including making recommendations or voting a plan's shares or proxies.

(2)(a) "Material" means, with respect to a risk or return, that there is a substantial likelihood that a reasonable investor would attach importance when:

(A) Evaluating the potential financial return and financial risks of an existing or prospective investment; or

(B) Exercising, or declining to exercise, any rights appurtenant to securities.

(b) "Material" does not mean, with respect to a risk or return:

(A) Furthering nonpecuniary, environmental, social, political, ideological or other goals or objectives; or

(B) Any portion of a risk or return that primarily relates to events that:

(i) Involve a high degree of uncertainty regarding what may or may not occur in the distant future; and

(ii) Are systemic, general or not investment-specific in nature.

(3) "Nonpecuniary" means, with respect to any action taken or factor considered by a fiduciary, having any purpose to further environmental, social or political goals. A fiduciary purpose may be reasonably determined by evidence including, but not limited to, a fiduciary's

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 statements indicating its purpose in selecting investments, engaging with portfolio compa-
 2 nies or voting shares or proxies, or any such statements by any coalition, initiative or or-
 3 ganization that the fiduciary has joined, participated in or become a signatory to, in its
 4 capacity as a fiduciary.

5 (4)(a) “Pecuniary factor” means a factor that has a material effect on the financial risk
 6 or financial return of an investment based on appropriate investment horizons consistent
 7 with a pension benefit plan’s investment objectives and the funding policy.

8 (b) “Pecuniary factor” does not include nonpecuniary factors.

9 (5) “Pension benefit plan” means any plan, fund or program established, maintained or
 10 offered by a public body, to the extent that by its terms or as a result of surrounding cir-
 11 cumstances:

12 (a) The plan provides retirement income or other retirement benefits to employees or
 13 former employees; or

14 (b) The plan results in a deferral of income by employees for a period extending to the
 15 termination of covered employment or beyond.

16 (6) “Public body” has the meaning given that term in ORS 174.109.

17 **SECTION 3.** A fiduciary shall discharge the fiduciary’s duties with respect to a pension
 18 benefit plan:

19 (1) Solely in the pecuniary interest of the participants and beneficiaries for the exclusive
 20 purpose of:

21 (a) Providing pecuniary benefits to participants and their beneficiaries; and

22 (b) Defraying reasonable expenses of administering the plan;

23 (2) With the care, skill, prudence and diligence under the circumstances then prevailing
 24 that a prudent person acting in a like capacity and familiar with such matters would use in
 25 the conduct of an enterprise of a like character and with like aims;

26 (3) By diversifying the investments of the plan so as to minimize the risk of large losses,
 27 unless under the circumstances it is clearly prudent not to do so; and

28 (4) In accordance with the documents and instruments governing the plan insofar as
 29 such documents and instruments are consistent with the provisions of sections 1 to 6 of this
 30 2025 Act.

31 **SECTION 4.** A fiduciary’s evaluation of an investment, or evaluation or exercise of any
 32 right appurtenant to an investment, must take into account only pecuniary factors. A
 33 fiduciary may not promote nonpecuniary benefits or any other nonpecuniary goals. Envi-
 34 ronmental, social, corporate governance and other similarly oriented considerations are
 35 pecuniary factors only if they present economic risks or opportunities that qualified invest-
 36 ment professionals would treat as material economic considerations under generally accepted
 37 investment theories. The weight given to those factors must solely reflect a prudent as-
 38 sessment of the factors’ impact on risk and return. A fiduciary considering environmental,
 39 social, corporate governance or other similarly oriented factors as pecuniary factors shall
 40 examine the level of diversification, the degree of liquidity and the potential risk-return in
 41 comparison with other available alternative investments that would play a similar role in the
 42 plans’ portfolios. Any pecuniary consideration of environmental, social or corporate
 43 governance factors must necessarily include evaluating whether greater returns can be
 44 achieved through investments that rank poorly on such factors.

45 **SECTION 5.** (1) All shares held directly or indirectly by or on behalf of a pension benefit

1 **plan or the beneficiaries of a plan shall be voted solely in the pecuniary interest of plan**
2 **participants. Voting to further nonpecuniary, environmental, social, political, ideological or**
3 **other benefits or goals is prohibited.**

4 **(2) Unless no economically practicable alternative is available, a fiduciary may not adopt**
5 **a practice of following the recommendations of a proxy advisory firm or other service pro-**
6 **vider unless such firm or service provider has a practice of following, and in writing commits**
7 **to follow, proxy voting guidelines that are consistent with the fiduciary's obligation to act**
8 **based only on pecuniary factors.**

9 **(3) Unless no economically practicable alternative is available, pension benefit plan assets**
10 **may not be entrusted to a fiduciary unless that fiduciary has a practice of following, and in**
11 **writing commits to follow, guidelines, when engaging with portfolio companies and voting**
12 **shares or proxies, that match the public body's obligation to act based only on pecuniary**
13 **factors.**

14 **(4) Authority to vote shares held by a pension benefit plan must be in the hands of a**
15 **politically accountable official of the public body responsible for the plan.**

16 **SECTION 6. The Attorney General may enforce violations of sections 1 to 6 of this 2025**
17 **Act.**

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