



THE FLORIDA SENATE

Tallahassee, Florida 32399-1100

COMMITTEES:
Policy and Steering Committee on Ways and Means, *Vice Chair*
Regulated Industries, *Vice Chair*
Community Affairs
Criminal Justice
Higher Education Appropriations
Military Affairs and Domestic Security
Policy and Steering Committee on Commerce and Industry
Policy and Steering Committee on Governmental Operations
Rules

SENATOR TED DEUTCH
30th District

Testimony of Florida State Senator Ted Deutch before the Subcommittee on International Monetary Policy and Trade

March 12, 2009

Mr. Chairman and Members of the Committee:

Thank you for the opportunity to speak today in support of H.R. 1327, the Iran Sanctions Enabling Act of 2009. I am grateful for the efforts of the bill's sponsors to enable investors to make investment decisions that are consistent with the principles and convictions of America's citizens. This good legislation will also permit every state and local government to take action to help prevent Iran's development of nuclear weapons, just as the Florida legislature did by its passage of the Protecting Florida's Investments Act in 2007.

This legislation will specifically permit and encourage fund managers to consider the policy of the United States Government and the interests of its citizens when making investment decisions. By authorizing pension funds to divest and prohibit investments in Iran's oil and gas sector, it will permit our local governments, on behalf of our citizens whose brave family members are on the front lines in our armed forces, to tighten the pressure on Iran's government which relies upon foreign investment to have sufficient funds to continue to press forward with its nuclear weapons program.

I would like to speak about the actions of the Florida legislature, why it was important that we succeed, the fight waged against our efforts, and the importance of H.R. 1327 in permitting other states to move forward. Before asking our pension board in Florida to divest from Iran, or from Sudan, which our legislation also required, we asked the very citizens whose dollars were at risk. We spoke with our public employees, teachers, firefighters, and police. And what we found did not surprise us, nor will it surprise you. When our citizens learned that their retirement

REPLY TO:

- ☐ 15340 Jog Road, Suite 201, Delray Beach, Florida 33446-2170 (561) 496-5939
- ☐ 216 Senate Office Building, 404 South Monroe Street, Tallahassee, Florida 32399-1100 (850) 487-5091

Senate's Website: www.flsenate.gov

JEFF ATWATER
President of the Senate

MIKE FASANO
President Pro Tempore

dollars were helping to fund a genocidal regime in Sudan, and an Iranian government whose leader has spoken openly of genocide should he acquire nuclear weapons, they were outraged. They demanded that we take action, offering significant support as we moved ahead.

But others were not as supportive. The pension fund managers fought back hard. Arguing that their only concern should be return on investment, they asked that we not bother with morals, or national security, or fighting or attempting to prevent genocide. They strenuously argued that their fiduciary obligation required them to invest in whatever companies they chose, so long as they generated the highest return for their investors. The pension board cared little about the investment wishes of its investors. That's where the legislature came in; it was our job, as it is your job, to represent the interests of our constituents, the citizens of the State of Florida and the United States. And our citizens wanted us to act. How could the State of Florida make investments that could make its investors, their children and our nation less secure?

What these pension administrators failed to acknowledge is that investments made in companies that have significant investments in Iran's energy sector are not only wrong; they are risky. The fact that a foreign company is doing material business with a state sponsor of terror that is subject to sanctions by the United States and the United Nations may well deter a reasonable investor from making such investment. Moreover, in response to the financial risk posed by investments in companies doing business with a state that sponsors terrorists, the Securities and Exchange Commission established its Office of Global Security Risk to provide for enhanced disclosure of material information regarding such companies.

In a report prepared in 2006 by this United States House of Representatives, you warned that "a company's association with sponsors of terrorism and human rights abuses, no matter how large or small, can have a materially adverse result on a public company's operations, financial condition, earnings, and stock prices, all of which can negatively affect the value of an investment." When state and local governments consider the return on investments made on behalf of their citizens, prudent governments should and will choose not to invest or own stock in companies whose officers, by putting profit over principle, risk losing both.

H.R. 1327 specifically gives state and local government the authority to divest from companies engaged in significant business with Iran's energy sector and identified "using credible information available to the public." I suggest to the members of this Committee that it look to the State of Florida to find such credible information. Florida's State Board of Administration, the entity that invests on behalf the Florida Retirement System, is responsible for complying with the terms of the Protecting Florida's Investment Act ("PFIA"). On a quarterly basis, the SBA assembles and publishes a list of companies that have prohibited business operations in Iran (and Sudan, as our legislation requires divestment from there as well). Under our legislation, a company that invests \$20 million or more in contributing to or enhancing Iran's ability to develop its petroleum resources will be put on the list.

Attached to this written testimony is the SBA's most recent quarterly report under the PFIA dated January 13, 2009. This quarterly report, together with all activity and reports of the SBA under the PFIA is available to the public on the SBA's website, www.sbafla.com. The report details the 90-day engagement process that our Act requires prior to divestment. More important for the members of this Committee and for those state and local governments who are considering divesting or who certainly will move forward upon passage of H.R. 1327, are the reports published on the SBA's website that identify the companies subject to divestment. The companies on the list appear on that list only after the SBA completes thorough research and analysis, first relying upon external research providers, including RiskMetrics Group and KLD Research & Analytics, then subject to review by senior investment professionals who utilize company SEC and other disclosures, industry analysis, government agencies including the SEC's Office of Global Security Risk, Treasury's Office of Foreign Asset Control, and the Congressional Research Service, non-governmental organizations and any other publicly available information. The Florida State Board of Administration oversees the fourth-largest pension system in the country; its work-product is first-rate and can be most helpful to the national Iran divestment movement.

The fundamental question that I am continually asked is, "Are you doing this to make a statement, or do you truly believe that you can impact Iran's pursuit of nuclear weapons?" The State of Florida has divested more than \$1.1 billion of investments thus far, and the retirement system of our public employees no longer owns one dime of direct holdings in companies enabling Iran to press ahead with its pursuit of nuclear weapons. I believe that that is an important statement, and a fairly dramatic statement at that. But more than a dozen other states have taken action, municipalities throughout America have recognized the potential power of divestment, and I am confident that dozens more will move forward once H.R. 1327 is passed because your legislation will make it impossible for the naysayers to continue to argue against it.

As of September 30, 2008, the 1000 largest retirement systems had assets totaling close to \$6.5 trillion. Nearly half of that money, or \$3 trillion, is held in public pension plans. When state and local governments, on behalf of their citizens, declare that they own tens of billions of dollars of stock in companies doing business in Iran, and that they intend to sell every share they own unless the companies withdraw from Iran and join the world's efforts to prevent a nuclear-armed Iran, the companies will take notice. And when our actions are strengthened by the efforts of this Congress, this Administration, the United Nations, divestment can and will have an impact. Last June, when oil traded at over \$140/barrel, we were told that this type of economic pressure would have no impact on Iran. Today, with oil under \$50/barrel, economic pressure is exactly what is needed to cut off the flow of funds that Iran is using to pursue its illicit nuclear program.

Let me be clear. I believe that we have the economic power to stop Iran's quest for nuclear weapons. We have the economic power to eliminate the threat to the United States and our allies that a nuclear-armed Iran would present. And whatever your political views, right or left, Democrat or Republican, exercising this economic power is fundamentally in line with your beliefs.

Mr. Chairman, as elected officials, we often attempt to explain to our constituents that it is not always possible to move as quickly as we may like. Sometimes, it takes time to move new policies forward. But while the policy laid out in H.R. 1327 is bold, it is not new, and we simply do not have time to waste. This morning, there are executives sitting in corporate suites in the Netherlands and the United Kingdom, in France, Russia and China, who are watching this debate. They know there is a divestment effort, but they are waiting to see if the path is cleared for this effort to become a movement. If it is not, they will continue to do business as usual. But if this divestment movement accelerates quickly and dramatically, and if major investors at public pension funds throughout this county use the power of the purse, these executives and these companies will be forced to consider whether to proceed as they have in the past. Evidence suggests they will not.

In closing, I return to where I started, with the public employees, teachers, nurses, firefighters, police and professors. Give them the option to act with conviction. Respect their values, for they are our values. Our public money, THEIR money should not be used to aid Iran's quest for nuclear weapons. H.R. 1327 removes the hurdles that so many pension boards have constructed to prevent divestment. When it passes and is signed into law by President Obama, it will be full speed ahead in standing up for our citizens, their values and our collective efforts to prevent a nuclear-armed Iran.

Thank you, Mr. Chairman and Members, for giving me the opportunity to address you today, and on behalf of state and local government officials throughout America, thank you for this vitally important legislation.