



DEPARTMENT OF AUDITS AND ACCOUNTS

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The Honorable Ben Bridges, Chairman
House Retirement Committee
State Capitol, Room 402
Atlanta, Georgia 30334

SUBJECT: State Auditor's Certification
Substitute to Senate Bill 451
(LC 21 9928S)

Dear Chairman Bridges:

This substitute bill would create the "Protecting Georgia's Investments Act." Specifically, this bill would provide that public funds be required to identify all 'scrutinized companies' in which the public fund has direct or indirect holdings. This legislation defines 'scrutinized companies' as any company that has, with actual knowledge, on or after August 5, 1996, made an investment of \$20 million or more in Iran's petroleum sector which directly or significantly contributes to the enhancement of Iran's ability to develop the petroleum resources of Iran. 'Public fund' is defined in this legislation to mean a large retirement system as defined in 47-20-84 of the Official Code of Georgia Annotated.

This legislation would require public funds to identify these scrutinized companies by October 1, 2008 and update their listing of these companies annually. This legislation specifies that neither employees of a retirement system nor the retirement system shall be liable for a good faith omission in identifying scrutinized companies.

This bill also outlines the procedures that must be followed by public funds with direct holdings in any 'scrutinized companies.' These procedures include notifying companies of their status, encouraging the companies to cease such activities, and divesting securities in such companies under certain circumstances. This bill provides for certain exclusions and provides for the termination of

these prohibitions if certain Federal action occurs.

The substitute bill would require the State Treasurer to annually prepare a list of scrutinized companies. The list shall be made available to each public fund in Georgia and each such fund may rely on the list in meeting the requirements of this legislation. This substitute bill would also change the automatic repeal date from July 1, 2011 to July 1, 2015.

This is to certify that the changes made in this substitute bill are nonfiscal amendments as defined in the Public Retirement Systems Standards Law.

Respectfully,

/s/ Russell W. Hinton
State Auditor

RWH/cs