

SECOND REGULAR SESSION

# HOUSE BILL NO. 1937

## 102ND GENERAL ASSEMBLY

---

INTRODUCED BY REPRESENTATIVE OWEN.

2894H.011

DANA RADEMAN MILLER, Chief Clerk

---

### AN ACT

To repeal section 105.688, RSMo, and to enact in lieu thereof two new sections relating to public employee retirement systems.

---

*Be it enacted by the General Assembly of the state of Missouri, as follows:*

Section A. Section 105.688, RSMo, is repealed and two new sections enacted in lieu thereof, to be known as sections 105.688 and 105.692, to read as follows:

105.688. The assets of a system may be invested, reinvested and managed by an investment fiduciary subject to the terms, conditions and limitations provided in sections 105.687 to 105.689. An investment fiduciary shall discharge his or her duties in the interest of the participants in the system and their beneficiaries and shall:

(1) Act with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a similar capacity and familiar with those matters would use in the conduct of a similar enterprise with similar aims;

(2) Act with due regard for the management, reputation, and stability of the issuer and the character of the particular investments being considered;

(3) Make investments for the purposes of providing benefits to participants and participants' beneficiaries, and of defraying reasonable expenses of investing the assets of the system;

(4) Give appropriate consideration to those facts and circumstances that the investment fiduciary knows or should know are relevant to the particular investment or investment course of action involved, including the role of the investment or investment course of action plays in that portion of the system's investments for which the investment fiduciary has responsibility. For purposes of this subdivision, "appropriate consideration"

EXPLANATION — Matter enclosed in bold-faced brackets **[thus]** in the above bill is not enacted and is intended to be omitted from the law. Matter in **bold-face** type in the above bill is proposed language.

18 shall include, but is not necessarily limited to a determination by the investment fiduciary that  
19 a particular investment or investment course of action is reasonably designed, as part of the  
20 investments of the system, to further the purposes of the system, taking into consideration the  
21 risk of loss and the opportunity for gain or other return associated with the investment or  
22 investment course of action; and consideration of the following factors as they relate to the  
23 investment or investment course of action:

24 (a) The diversification of the investments of the system;

25 (b) The liquidity and current return of the investments of the system relative to the  
26 anticipated cash flow requirements of the system; and

27 (c) The projected return of the investments of the system relative to the funding  
28 objectives of the system;

29 (5) Give appropriate consideration to investments which would enhance the general  
30 welfare of this state and its citizens if those investments offer the safety and rate of return  
31 comparable to other investments available to the investment fiduciary at the time the  
32 investment decision is made;

33 **(6) Not consider environmental, social, or governance characteristics in a**  
34 **manner that would override his or her fiduciary duties as defined in this section;**

35 **(7) Not be subject to any legislative, regulatory, or other mandates to invest with**  
36 **environmentally, socially, or other noneconomically motivated influence unless they are**  
37 **consistent with the fiduciary's responsibility as provided in this section or as provided in**  
38 **the system's governing statutes with respect to the investment of system assets or other**  
39 **duties imposed by law relating to the investment, management, deposit, or custody of**  
40 **system assets; and**

41 **(8) Not be subject to any legislative, regulatory, or other mandates for**  
42 **divestment from any indirect holdings in actively or passively managed investment**  
43 **funds or in private assets.**

**105.692. 1. All shares of common stock held directly by a system, as defined**  
2 **under section 105.687, shall be voted solely in the economic interest of plan participants.**  
3 **Voting shares for the purposes of furthering noneconomic environmental, social,**  
4 **political, ideological, or other goals is prohibited.**

5 **2. A system shall vote all proxies associated with its directly held shares of**  
6 **common stock by one of the following methods:**

7 **(1) By internal system staff; or**

8 **(2) By an investment manager or proxy voting service provider who has**  
9 **committed in writing to vote the shares pursuant to proxy voting guidelines chosen by**

- 10 **the system or has committed in writing to vote the shares in a manner consistent with**
- 11 **the obligation to act solely in the economic interest of plan participants.**

✓