HB 2143 -- DIVESTMENT FROM FOREIGN ADVERSARIES

SPONSOR: Seitz

COMMITTEE ACTION: Voted "Do Pass" by the Standing Committee on Pensions by a vote of 5 to 3. Voted "Do Pass" by the Standing Committee on Rules- Legislative Oversight by a vote of 7 to 3.

This bill establishes the "Foreign Adversary Divestment Act".

All state-managed funds, as defined in the bill, are prohibited from holding investments in any foreign adversary, as defined in the bill, state-owned enterprise of a foreign adversary, company domiciled within a foreign adversary, or a company owned or controlled by any such entity.

State-managed funds are further prohibited from investing or depositing public funds in any bank domiciled or principally located within a foreign adversary.

Any state-managed fund in violation of this bill is required to immediately begin divestment of any public holdings, to be fully divested within two years of the effective date of the bill.

Within six months after the effective date of this bill, the State Treasurer shall identify companies subject to these restrictions and distribute a list of these restricted companies to each state-managed fund. Methods of gathering this information are specified in the bill.

PROPONENTS: Supporters say that this language has a clear intent to prevent Missouri taxpayer funds from supporting foreign entities. China is not a good investment and this bill would allow a prioritizing of pension investments to prevent state dollars from being tied up in companies that are sanctioned or classified as adversaries. These countries pose a national security risk and this bipartisan legislation will prevent Missouri payments from propping up these less-than-stellar economies.

Testifying in person for the bill were Representative Seitz; Vivek Malek, Missouri State Treasurer; and State Armor Action.

OPPONENTS: There was no opposition voiced to the committee.

OTHERS: Others testifying on the bill say that there is currently a list provided by the Department of Commerce and the Federal Government that provides guidance on what countries or areas pose a risk. Emerging markets are considered and most boards use a qualitative strategy when considering potential investment opportunities. This bill is problematic in many ways with lack of clarity on what a "subsidiary" might include. This is ESG language to a degree with current board policies already addressing the concerns expressed in a fiduciary manner.

Testifying in person on the bill were PSRS/PEERS; Scott Simon, MODOT; Patrol Employees Ret. System; and Rochelle Reeves, Missouri State Employees' Retirement System.

Written testimony has been submitted for this bill. The full written testimony and witnesses testifying online can be found under Testimony on the bill page on the House website.