

HB 657 -- PUBLIC EMPLOYEE RETIREMENT AND PENSION SYSTEMS

SPONSOR: Owen

COMMITTEE ACTION: Voted "Do Pass" by the Standing Committee on Pensions by a vote of 11 to 5. Voted "Do Pass" by the Standing Committee on Rules- Legislative by a vote of 9 to 3.

Currently, an investment fiduciary has to discharge his or her duties relating to the investment, reinvestment, and management of the assets of the system for the participants, based upon certain specified standards. This bill includes additional standards and provides that the investment fiduciary doesn't have to consider environmental, social, or governance characteristics in a manner that overrides his or her fiduciary duties. Further, the investment fiduciary is not subject to legislative, regulatory, or other mandates to invest with environmentally, socially, or other noneconomically motivated influence unless they are consistent with the fiduciary's responsibilities, or for divestment from any indirect holdings as specified in the bill.

The bill provides for voting of all shares of common stock solely to further the economic interest of the plan participants and prohibits voting to further noneconomic environmental, social, political, ideological, or other goals. The bill also specifies the methods for voting by proxy.

This bill is the same as HB 1937 (2024) and similar to HB 769 (2023).

PROPONENTS: Supporters say that pensioners and future pensioners should be assured that the funds are focused on return of investment to members who are the ultimate beneficiaries. Proxy voters need to understand that they cast votes for the economic interests of the funds. This bill prevents harmful investments on the part of the Board and sound investments are a fiduciary's responsibility. If a global conflict occurs the federal laws would preclude investments in those countries that are adverse to the United States.

Testifying in person for the bill were Representative Owen; FGA Action; Jeff Kempker, Mo Local Government Employees Retirement System; and PSRS/ PEERS.

OPPONENTS: Those who oppose the bill say that the language in Sections 5 and 6 of the bill create havoc for the fiduciary managers in telling them what risks to consider and not consider in

investments. The bill solves problems that don't exist and is unnecessary. Environmental, social, and governance-based investing is a big part of a fiduciary's responsibility and they cannot ignore it and there shouldn't be legislation on it. Corporate governance protects the shareholders rights.

Testifying in person against the bill were Sierra Club; and Peter Schneeberger.

OTHERS: Others testifying on the bill say that the language in the bill aligns with the best practices in place at MOSERS and is also consistent with the current operations at MODOT.

Testifying in person on the bill were MOSERS; and Scott Simon, MoDot and Patrol Employer.

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.