

# SENATE BILL NO. 529

103RD GENERAL ASSEMBLY

INTRODUCED BY SENATOR CRAWFORD.

1423S.02I

KRISTINA MARTIN, Secretary

## AN ACT

To amend chapter 105, RSMo, by adding thereto one new section relating to divestment of certain investments of public employee retirement systems.

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

Section A. Chapter 105, RSMo, is amended by adding thereto  
2 one new section, to be known as section 105.693, to read as  
3 follows:

**105.693. 1. As used in this section, the following  
2 terms mean:**

3 (1) "Board", the governing board or decision-making  
4 body of a system that is authorized by law to administer the  
5 system;

6 (2) "Control":

7 (a) The same meaning as such term is defined in the  
8 Investment Company Act of 1940, 15 U.S.C. Section 80a-2(a);  
9 or

10 (b) Involvement in an entity's governance structure,  
11 monitoring, or internal human resources decisions consistent  
12 with the objectives set out in the Opinion on Strengthening  
13 the United Front Work of the Private Economy in the New Era  
14 issued by the General Office of the Central Committee of the  
15 Chinese Communist Party (2020) or a successor or similar  
16 document;

17 (3) "Divest", a sale, redemption, replacement, or any  
18 other activity that terminates an investment;

19 (4) "Fund", the retirement benefit fund of a system;

20 (5) "Investment", any investment, as such term is  
21 defined in section 105.687, that the board or system is  
22 authorized to make;

23 (6) "Person", an individual or entity;

24 (7) "Restricted entity", the following, including  
25 wholly-owned subsidiaries, majority-owned subsidiaries,  
26 parent companies, and affiliates that exist for profit-  
27 making purposes:

28 (a) Any person, other than a U.S. person, as the term  
29 "U.S. person" is defined in 15 CFR 772.1, that is identified  
30 for the People's Republic of China on the Entity List,  
31 Supplement No. 4 to 15 CFR 744, as a person reasonably  
32 believed to be involved, or to pose a significant risk of  
33 being or becoming involved, in activities contrary to the  
34 national security or foreign policy interests of the United  
35 States until the End-User Review Committee of the Bureau of  
36 Industry and Security in the United States Department of  
37 Commerce determines that the person no longer meets that  
38 criteria and removes the person from the list;

39 (b) Any person that:

40 a. The United States Secretary of Defense has listed  
41 as a Communist Chinese military company operating directly  
42 or indirectly in the United States or in any of its  
43 territories or possessions under Section 1237 of the Strom  
44 Thurmond National Defense Authorization Act of Fiscal Year  
45 1999, P.L. 105-261, as amended by Section 1233 of P.L. 106-  
46 398 and Section 1222 of P.L. 108-375, 50 U.S.C. Section 1701  
47 note, until such time as the United States Secretary of  
48 Defense removes the person from such list;

49 b. The United States Secretary of Defense, in  
50 consultation with the United States Secretary of the

51 Treasury, determines is a Communist Chinese military company  
52 operating directly or indirectly in the United States or in  
53 any of its territories or possessions and therefore lists as  
54 such under Section 1237 of the Strom Thurmond National  
55 Defense Authorization Act of Fiscal Year 1999, P.L. 105-261,  
56 as amended by Section 1233 of P.L. 106-398 and Section 1222  
57 of P.L. 108-375, 50 U.S.C. Section 1701 note, until such  
58 time as the United States Secretary of Defense removes the  
59 person from such list; or

60 c. The United States Secretary of the Treasury  
61 publicly lists as meeting the criteria in Section  
62 1237(b)(4)(B) of the Strom Thurmond National Defense  
63 Authorization Act of Fiscal Year 1999, P.L. 105-261, as  
64 amended by Section 1222 of P.L. 108-375, 50 U.S.C. Section  
65 1701 note, or publicly lists as a subsidiary of a person  
66 already determined to be a Communist Chinese military  
67 company, until the United States Secretary of the Treasury  
68 determines that the person no longer meets that criteria and  
69 removes the person from such list;

70 (c) Any investment that is domiciled, issued,  
71 incorporated, or listed in the People's Republic of China,  
72 other than a U.S. person or U.S. subsidiary, as the terms  
73 "U.S. person" or "U.S. subsidiary" are defined in 15 CFR  
74 772.1, or that is publicly confirmed to be controlled by the  
75 People's Republic of China, the Chinese Communist Party, or  
76 a provincial division, municipality, governmental agency,  
77 sovereign wealth fund, or political instrumentality of the  
78 People's Republic of China;

79 (d) Any organization or citizen that is identified by  
80 the appropriate government agencies to be required by the  
81 National Intelligence Law of the People's Republic of China  
82 (2017), as amended in 2018, or any successor to support,

83 assist, and cooperate with the state intelligence work of  
84 the People's Republic of China and keep the secrets of the  
85 national intelligence work of the People's Republic of  
86 China; or

87 (e) Any person that is listed on the Specially  
88 Designated Nationals and Blocked Persons List published by  
89 the Office of Foreign Assets Control of United States  
90 Department of the Treasury;

91 (8) "Restricted investment product", an investment  
92 product that:

93 (a) Is managed by one or more persons:

94 a. That are not employed by the system; and  
95 b. In which the system on behalf of the fund owns  
96 investments together with investors other than the system;  
97 and

98 (b) Holds investments in a restricted entity;

99 (9) "System", any state or local public retirement  
100 system or plan established by the state or any political  
101 subdivision or instrumentality of the state for the purpose  
102 of providing plan benefits for elected or appointed public  
103 officials or employees of the state or any political  
104 subdivision or instrumentality of the state.

105 2. After August 28, 2025, a system shall not knowingly  
106 invest in a restricted entity or a restricted investment  
107 product and shall divest any investment that the system has  
108 on behalf of a fund in accordance with this section.

109 3. Before December 1, 2025, and at least annually on  
110 or before December first of each subsequent year, the board  
111 shall make a good faith effort to identify all restricted  
112 entities and restricted investment products in which the  
113 system holds an investment. The board may use an  
114 independent research firm to assist the board.

115           4. (1) If the board determines after a review under  
116 subsection 3 of this section that the system has investments  
117 in a restricted entity or a restricted investment product,  
118 the board shall establish a plan to divest the investment  
119 and complete the divestment as soon as financially prudent.  
120 Except as provided in subdivision (2) of this subsection,  
121 the investment shall be divested no later than August 28,  
122 2026.

123           (2) The investment may be divested after August 28,  
124 2026, but shall be divested no later than August 28, 2028,  
125 if the board finds that the following conditions exist:

126           (a) The divestment of the investment by August 28,  
127 2026, would result in the system incurring aggregate  
128 transaction costs in excess of five hundred thousand dollars;

129           (b) The selling of global public equity interests  
130 would result in a loss on secondary markets; or

131           (c) The divestment of the investment by August 28,  
132 2026, would otherwise fail to comply with federal or state  
133 law or other legal obligations.

134           5. Prior to divesting any commingled fund required by  
135 this section in which the divestment would result in a  
136 realized loss, the staff of the system shall notify the  
137 board and if, within two business days, a majority of the  
138 trustees of the board object, no further action shall be  
139 taken until a special or regular meeting of the board.

140           6. The board shall determine whether to cease or defer  
141 divestment in the entity or product initiated under this  
142 section and resume investment in the entity or product  
143 during any period in which the entity or product has not  
144 returned to being a restricted entity or restricted  
145 investment product if any of the following conditions are  
146 met:

147           (1) The entity or product meets or exceeds the rules  
148 and standards of the Public Company Accounting Oversight  
149 Board and the Sarbanes-Oxley Act of 2002, P.L. 107-204, 116  
150 Stat. 745; or

151           (2) The board determines that a fund has holdings in a  
152 passively managed commingled fund that includes a restricted  
153 entity and the estimated cost of divestment of the  
154 commingled fund is greater than ten percent of the total  
155 value of the restricted entities held in the commingled fund.

156           7. (1) On or before December 31, 2025, and annually  
157 on or before December thirty-first of each subsequent year,  
158 the board shall submit a report to the general assembly.

159           (2) The report shall include at least the following  
160 information, as of the date of the report:

161           (a) A copy of the restricted entity list;

162           (b) All publicly traded securities sold, redeemed,  
163 divested, or withdrawn in compliance with this section;

164           (c) All commingled funds that are exempted from  
165 divestment under subsections 5, 6, or 10 of this section; and

166           (d) Any progress made under subsection 6 of this  
167 section.

168           8. With respect to actions taken in compliance with  
169 this section, including all good faith determinations  
170 regarding restricted entities and restricted investment  
171 products, the board and the system are exempt from any  
172 conflicting statutory or common law obligations, including  
173 any obligations with respect to choice of asset managers,  
174 investment fiduciaries, investment funds, or investments for  
175 fund investment portfolios.

176           9. The state and any political subdivision of the  
177 state; its officers, agents, and employees; and the board  
178 and employees of a system shall be immune from civil

179 liability for any act or omission related to the removal of  
180 an asset from a fund under this section and are entitled to  
181 indemnification from the system for all losses, costs, and  
182 expenses, including reasonable attorney's fees, associated  
183 with defending against any claim or suit relating to an act  
184 authorized under section.

185       10. (1) Notwithstanding any provision of law to the  
186 contrary, the provisions of this section do not apply to  
187 investments in private market funds.

188       (2) Notwithstanding any provision of law to the  
189 contrary, the provisions of this section do not apply to  
190 indirect holdings in actively managed investment funds.

191       (3) If a manager or investment fiduciary creates a  
192 similar actively managed investment fund without the  
193 restricted entities, the board shall replace all applicable  
194 investments with the investments in the similar actively  
195 managed investment fund within a period consistent with  
196 prudent investing standards.

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