

## 2023 Legislative Session | KPERS Bill Recap

### House Bill 2436: Statutory Limits on Environmental, Social and Governance (ESG) Investments and Contracts

#### Where It's At

#### Policy changes included in HB 2100

#### Quick Look

HB 2436 prohibits the Board from considering ESG factors when entering into contracts and regulates proxy voting for KPERS investment managers.

#### Hearings

March 8 – House Financial Institutions and Pensions

March 15 – Passed House Committee as amended

March 23 – Passed House as amended by Committee 85-38

#### The Fine Print

As fiduciaries, the KPERS Board of Trustees is held to the highest standard of care to KPERS members and they are bound to act solely in the best interest of members and beneficiaries.

The KPERS Board of Trustees has the authority to manage KPERS investment portfolio. However, the Board of Trustees must adhere to certain statutory guidelines.

HB 2436 adds restrictions on the consideration of environmental, social and governance (ESG) factors when entering into contracts, including investment management contracts. ESG considerations in HB 2436 include:

- fossil fuel-based energy
- nuclear energy
- any other natural resource
- a governing board with race, sex or sexual orientation criteria
- facilitating or assisting with abortion or gender reassignment
- agriculture and lumber production
- mining, greenhouse gas emissions
- firearms manufacture or sales

Restricting the Board's investment options could potentially impact future investment returns, which in turn decreases the funded status and increases future employer contributions. The level of funding impact will depend on how many investment managers are impacted by the HB 2436.

The House Committee amended the bill to more clearly define how the law applied to KPERS and KPERS investment managers.