Freedom to Invest

The Cost of Restrictions:
How State Pension Plans Suffer Under Restrictive Bills

Since 2021, lawmakers in 39 states have introduced 373 bills aimed at restricting pension boards, state and municipal governments, and the private sector from considering all financial risks in their decision-making for retirement planning, including economic, geopolitical, or climate-related financial risks and opportunities. The overwhelming majority of these bills have failed—largely due to private sector concern. Only six passed in 2024. But similar measures continue to be introduced in state legislatures this session.

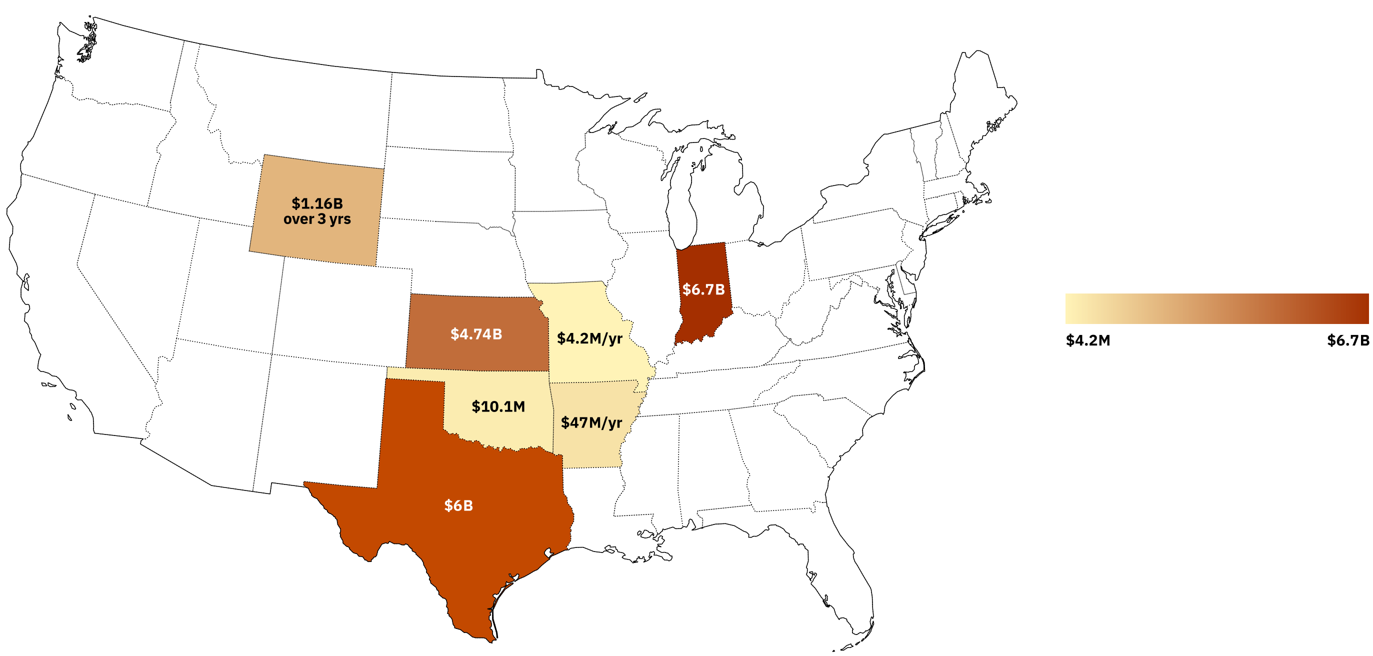
Economic Impact

Research shows that many of the introduced bills would have negative impacts on public pension plans, including:

- Reducing investment returns
- Increasing asset management costs
- Undermining fiduciary duty
- Exposing retirement beneficiaries to financial risks
- Increasing costs to taxpayers

Below is a summary of research on the billions of dollars in financial costs to pension funds of legislation that has been introduced or enacted and projected impact on retirees and taxpayers.

Estimated costs or reduced returns due to restrictive laws



State bills	Estimated Impacts
Indiana HB1008 [Law signed and enacted]	The Indiana Public Retirement System (INPRS) estimated in 2023 that "HB1008 could result in reduced aggregated investment returns for defined benefit and defined contribution funds managed by INPRS by **$6.7 billion over the next 10 years**. Such a decrease would reduce the estimated annual return on investment for defined benefit pensions managed by INPRS from **6.25% to 5.05%.**"
Texas SB 1446 [Law did not pass]	At a Texas Senate hearing in 2023, the executive director of the Texas County & District Retirement System (TCDRS) testified that the investment restrictions in SB 1446 would cost TCDRS an estimated **$6 billion** over the next decade.
Kansas SB224 [Law did not pass]	The Kansas State Division of the Budget estimated that SB224, a bill to prohibit responsible investing activities, could reduce investment returns by **$3.6 billion over the next decade** and raise **upfront transaction costs for the Kansas Public Retirement System by $1.14 billion**.
Wyoming HB0080 [Law introduced]	The Wyoming Retirement System's fiscal note estimated that the bill would lead to a **revenue reduction of $1.16 billion** to the pension fund over three years starting in 2026, compared to the status quo.
Arkansas HB1307 [Law signed and enacted]	The Arkansas Public Employees Retirement System estimated that it could lose **$30 million to $40 million a year** due to a bill banning responsible business practices that would require the state treasurer and public entities to divest assets from certain institutions that use ESG-related metrics. Likewise, officials from the Arkansas Teacher Retirement System (ATRS) estimated that the system could lose **$7 million a year** as a result of the legislation, which ATRS described as a conservative estimate.
Oklahoma SB1536 [Law signed and enacted – pending litigation]	SB1536 in Oklahoma requires government entities to divest from certain financial institutions. The Oklahoma Public Employees Retirement System (OPERS) estimated that divesting from major asset managers would result in a one-time cost of **$10.1 millions in taxes, fees, and commissions** for both OPERS and the Uniform Retirement System for Justices & Judges. OPERS also noted that this estimate doesn't account for larger implicit costs that are currently difficult to quantify.
Missouri [Executive action]	In late 2022, Missouri State Treasurer Scott Fitzpatrick announced that the Missouri State Employees' Retirement System had sold all public equities, or about **$500 million in pension funds**, managed by a specific asset manager. Institutional Investor reported that the state transferred the money to another fund that used more expensive financial products, **spending $4.2 million more in total fees** than those charged by the original asset manager.

Freedom to Invest brings together investors, companies, and other stakeholders to champion the freedom to consider all material financial risks in their decision-making. Visit freedomtoinvest.org/get-involved.