WHY DO SOME MISSOURI PUBLIC PENSION FUNDS STILL INVEST IN CHINA?
By Missouri State Treasurer Vivek Malek

In December 2023, Missouri took bold, historic action to protect the retirement savings of public employees. At my recommendation, the Missouri State Employees' Retirement System (MOSERS) board voted to divest from companies based in the People's Republic of China (PRC). Missouri became one of the first states in the nation to take this step—a decisive move toward de-risking public investments and setting a standard for responsible financial stewardship. Before the vote, I asked my fellow trustees a simple, yet important question: "*If it were your money, would you invest it in China*?" For the overwhelming majority, the answer was *no*. Yet, other major Missouri public pension systems have not followed this example—prompting the critical question: Why do they still invest in China?

MOSERS's divestment from the PRC wasn't a symbolic move. It was a serious policy decision rooted in sound financial judgment. Chinese markets have underperformed their global peers in recent years and, as of early 2025, global investments that exclude China are showing stronger five-year returns than those that include it. These trends are no coincidence. The PRC's market underperformance stems from structural flaws—ranging from feeble corporate governance to lackluster transparency. In 2024, these shortcomings came into sharp focus when regulators fined PwC Zhong Tian LLP over $60 million and suspended the auditing firm for six months due to its failure to detect massive revenue inflation at China's second-largest property developer, Evergrande. At the same time, the Public Company Accounting Oversight Board (PCAOB) has found "unacceptable" deficiencies in audits by China-based affiliates, including failures to gather sufficient evidence to support financial disclosures. These flaws are systemic and real. When combined with rising tensions over Taiwan and China's aggressive economic posture, the risks are only rising.

Even Washington has taken note. In February 2025, President Trump issued the America First Investment Policy, directing federal agencies to scrutinize U.S. investments tied to foreign adversaries, especially China. This policy sends a clear message: American capital should not be used to support adversarial regimes. For states like Missouri, this should be a wake-up call. Public pension systems that continue to invest in Chinese equities are not only out of alignment with developing national policy—they're exposing public workers to elevated risk and inviting federal scrutiny.

If MOSERS recognized the risk and acted, why haven't Missouri's other public pension systems taken similar action? This silence is troubling. It suggests that institutional lethargy—or worse, complacency—is standing in the way of common-sense reform. Changing investment policy requires initiative, and many systems cling to legacy strategies, even when those strategies no longer align with today's risks. Another factor is pressure from Wall Street. Major investment managers profit from continued exposure to Chinese markets and often resist reforms that would threaten their earnings.

The Public School and Education Employee Retirement Systems of Missouri (PSRS/PEERS) is the state's largest public pension system, managing nearly $60 billion in assets. According to its 2024 Annual Comprehensive Financial Report, PSRS/PEERS has invested hundreds of millions of dollars in funds managed by BlackRock and others, which have known exposure to Chinese equities. Specifically, it held $268.9 million in BlackRock's Passive Emerging Markets Index and an additional $406.1 million in BlackRock's Passive World Index—both of which include Chinese companies. The risk isn't theoretical—it's embedded in the portfolio's structure.

Missouri's public pension systems are meant to serve teachers, state employees, and local workers—not Wall Street, and certainly not the Chinese Communist Party. They have had the time, the resources, and the precedent to chart a new course. If it was feasible, responsible, and fiscally prudent for MOSERS to divest from the PRC, what exactly is stopping them? Missourians deserve accountability, transparency, and investment strategies grounded in both strong returns and American values.

On December 12, 2023, MOSERS displayed leadership by divesting from investments in China. Now, it is time for the rest of Missouri's pension systems to follow suit. Divesting from China isn't a political stunt—it's a prudent, risk-aware investment decision. Every day they delay is another day our public workers remain exposed to risks they never agreed to take.