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NEWS RELEASE

NEW YORK STATE PENSION FUNDS WILL LOSE HUNDREDS OF MILLIONS OF DOLLARS IF FORCED TO SCRAP OR REDUCE FOSSIL FUEL INVESTMENTS, NEW REPORT SAYS

Report acknowledges climate change is real, but contends that divestment from fossil fuel companies would have little or no environmental impact, while hurting pensioners, raising taxes or forcing service cuts over the next five years

NEW YORK (Dec. 12, 2017) – New York's Common Retirement Fund would lose hundreds of millions of dollars over five years if required to divest in fossil fuels and replace those investments with lower-earning "green" assets, according to a new report released today.

"Divestment would represent an enormous hit to public pension plans," said the report produced by Global Analytics Services, Inc. and commissioned by the Suffolk County Association of Municipal Employees, the largest independent union in the State of New York. "The losses from divestment would also mean that the State and local governments would have to cut critical services or raise taxes to ensure that the pension system is funded," the report concluded.

Daniel C. Levler, president of Suffolk County AME, which represents over 10,000 active and retired members in Suffolk County said: "Our members have spent their entire careers making contributions to their pensions, which are protected under the New York State Constitution. This report reaffirms the growing evidence that divestment does not protect public sector pensions and does not align with the fiduciary responsibilities of the state comptroller, who is obligated to achieve the highest returns possible for pensioners. While we don't oppose other, less risky, approaches to dealing with climate change, divestment would clearly jeopardize the financial security of hundreds of thousands of working families throughout the State of New York. Our retirement accounts should not be used as political bargaining chips in a debate over climate change."

The Common Retirement Fund, overseen by State Comptroller Thomas DiNapoli, holds the assets of the New York State and Local Retirement System. It represents about 650,000 active state and local employees and 452,000 retirees and is one of seven public funds in the state. It does not cover teachers and New York City workers, who are covered by other plans.

There is legislation pending in the New York State Legislature that would require the Comptroller to immediately divest the state's retirement funds from companies that produce fossil fuels. DiNapoli has opposed such legislation.

The report released today focuses on the analysis of an independent actuary, Bradley Heinrichs, of the firm Foster & Foster, as well as the analysis from Global Analytics, who compared current fossil fuel investments returning around 8% -- the statutorily mandated threshold -- to investments in alternative energy sources with returns averaging from 3% to 5% annually.

"The most important driver of public pension costs is investment performance," Heinrichs said. "Diverting nearly $1 billion in investments in fossil fuels into securities that earn lower returns could cost the plan sponsor tens of millions of dollars in increased contribution requirements over just the next five years. This obviously puts state and local governments in a situation where they may need to either raise taxes or cut vital services to cover these costs."

The Global Analytics team used two scenarios to track the financial implications of replacing the fund's $978 million in fossil fuel investments. One scenario that would replace current fossil fuel investments earning 8% a year with alternative "green" funds returning 5% annually, while the other would swap the 8% yields with alternative energy investments returning 3%.

Under the first scenario – from 8% returns to 5% -- the fund would lose $29.4 million in the first year, $98.8 million over three years and $188.8 million over five years. Employer contributions would rise by at least $13 million over that same five year period and would continue to grow.

Under the second scenario – 8% to 3% -- the fund would lose $48.9 million in the first year, $163.3 million over three years and $303.2 million over the course of five years. Contributions would rise by at least $21.4 million over the five year period and would also continue to grow.

Contrary to claims by the fossil fuel divestment movement that climate change can be slowed if pension funds and universities simply divest, the report found that approach "is not strategic and does little to influence the reality of climate change."

Instead, the report concluded that the comptroller, who has a fiduciary responsibility to workers, retirees and beneficiaries in the fund, should not risk the great loses that divestment would bring.

The largest public pension fund in the country, the $310 billion California Public Employees' Retirement System (CalPERS) has rejected a full-scale divestment of fossil fuels, as has the $184.8 billion California State Teachers' Retirement System (CalSTRS).

In voting to make it harder to divest, the CalPERS board declared that the best approach would be to "diversify the investments of the system" to minimize losses and maximize returns. The board said divesting "appears to almost invariably harm investment performance."

Many other pension plans oppose large-scaled divestment, as do leading universities, including Stanford, Harvard, Yale, Brown, The University of Pennsylvania and the University of Toronto.

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