Retirement News Highlights
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Pension Divestment Bills Are Back on the Table in Several Blue States

Several big state pensions are facing possible votes on divestment bills this year.

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Lawmakers in several Democratic-leaning states are set to consider bills that would compel public pensions to divest fully or partially from fossil fuels.

While similar legislation failed to advance in past sessions, divestment bills are back on the table in California, New York, New Jersey and Oregon, among other states.

Climate activists are optimistic about the prospects for divestment legislation in 2023.

“There is a tremendous amount of momentum in the divestment and the climate finance space that's been building for a number of years,” said Richard Brooks, climate finance director for climate activist umbrella group Stand.earth.

That comes after a “marquee year” for the divestment movement, Brooks said. Last year, Stand.earth reported that fossil fuel divestment surpassed $40 trillion, while several divestment-focused bills advanced, and regulatory bodies focused on implications of climate risk for investors.

In January, California state legislators re-introduced a bill that would require the California Public Employees’ Retirement System, or Calpers and the California State Teachers’ Retirement System, known as Calstrs, to sell billions of dollars in public investments in the fossil fuel sector by 2030. Calpers and Calstrs are the largest and second-largest U.S. public pensions, respectively.

While this bill is identical to another that failed last year, the chair of the Assembly committee that ended up withdrawing the bill, Sacramento Democrat Jim Cooper, is no longer in the legislature and the new leadership appears more open to divestment, Brooks said. In addition, crises in California such as wildfires, flooding and droughts, have increased public and political awareness in the state, he added.

Both Calpers and Calstrs opposed the bill last year and do not appear likely to change their position this year.

While climate change is “one of the greatest threats to the future,” Calstrs does not think divestment is the way to fight against it, a spokesperson said in an email. “Our approach to climate change is more holistic and includes measuring emissions, engaging directly with companies, working to expand government policies, and investing in solutions.”

The Calpers board has not yet taken a position on the bill this year, but a spokesperson said staff expected a “robust discussion” this spring.

At the system’s January board stakeholder forum, both Chief Executive Officer Marcie Frost and Chief Investment Officer Nicole Musicco expressed opposition to divestment in favor of engagement with companies and managers.

“It would not fulfill our fiduciary duty to sell off those [fossil fuel] assets,” Frost said Jan. 20.

If either Calpers or Calstrs decide “in good faith” that divesting would violate their fiduciary duty, they would be permitted to hold off, Gonzalez said through a spokesperson.

California has made “bold steps” on climate issues, Gonzalez added in a written statement, and continued fossil fuels investments from both pensions “clearly does not align with our values and is contradictory to say the least.”

New York State Senator Jabari Brisport has introduced a bill that would require the New York State Teachers’ Retirement System, or Nystrs, to divest from fossil fuels. Last year, the New York State Common Retirement Fund divested from 21 shale oil and gas companies, as part of a larger review of all its fossil fuel investments that it plans to wrap up by 2025. In 2021, two of New York City’s pensions also voted to divest about $4 billion in holdings.

Nystrs does not have a position on the bill itself, a spokesperson said in an email, adding that board members and staff must be “responsible and thoughtful” as fiduciaries.

The fund also “identifies long-term risks to the portfolio through independent measurement and assessment” and “engages with the companies in which we invest, vote our proxies, and seeks opportunities to invest in companies and areas that can help to mitigate the risks.”

A Brisport spokesperson did not respond to a request for comment by press time.

New Jersey State Senator Robert Smith introduced a bill that would prohibit the state’s pension, managed by the Division of Investment within the New Jersey Department of the Treasury, from investing in 200 fossil fuel companies, and while also requiring it to divest from current holdings. That bill is currently before the State Budget and Appropriations Committee.

While divestment from fossil fuels would be symbolic, it is a necessary step on the path towards a more decarbonized economy, Senator Smith said in an interview.

“[Divestment] is a signal to them that … they need to be part of the movement to make our resources more renewable,” he said.

Smith dismissed any concerns divestment would interfere with the state pension’s fiduciary duty.

“Baloney,” he said. “In fact, I'd go the other way – that investing in [fossil fuels] violates fiduciary duty, because … you’re investing in the demise of the planet.”

A Treasury spokesperson declined to comment, citing policy on pending legislation.

Oregon State Treasurer Tobias Read last year announced plans to move that state’s pension systems to net-zero fossil fuel status by 2050. State legislators also introduced a bill that would require the state’s pensions to divest from fossil fuels entirely.

When asked why divestment is preferable to Read's net-zero plan, a spokesperson for one of the bill's primary sponsors, State Representative Khanh Pham, said Read's framework is flawed because carbon offsets could allow state pensions to continue supporting fossil fuel companies. The spokesperson added that the process would move too slowly and could be abandoned once Read leaves office next year and claimed that the state Treasury "has consistently opposed transparency" when discussing its fossil fuel investments.

The bill "is a legislative solution to investment risks created by fossil fuel companies. Climate risk is a financial risk. Financial risks need to be addressed with financial actions," Pham's spokesperson wrote.

Treasurer Read opposed the legislation, a spokesperson said in an email, referring to a recent public letter on the topic.

"Claims that limiting Oregon's investment choices through statute will automatically or easily be revenue-neutral or yield higher returns are pure fiction," Read said via the spokesperson.

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