Climate and pension plans

In their role as co-chairs of the legislature’s Joint Committee on Pensions, Sen. Sarah K. Elfreth (D-Anne Arundel) and Del. Brooke E. Lierman (D-Baltimore City) introduced legislation this week that would require the Maryland State Retirement and Pensions System to consider climate change as a financial factor when making investment decisions. The bill requires the pension system to identify climate risks, determine investment opportunities in emerging technologies, and establish policies to implement and report on these practices.

The legislation, if passed, would make the General Assembly the first legislature in the nation to codify the argument that is increasingly being advanced in financial board rooms that climate risk is investment risk. The bill would ensure that the state is taking proactive measures to protect its investments for 400,000 retirees, the lawmakers said.

“Water levels are rising and extreme weather events are becoming more and more common,” said Elfreth, whose district has been hammered by a tornado and dramatic flooding in recent months. “Because Maryland is particularly vulnerable to these threats, it is both urgent and responsible that we position our pension system to identify and confront climate risk as fiduciary risk.”

Lierman called the legislation “an important step that is both environmentally and fiscally the right thing to do.”

The lawmakers said that major institutional investors are already responding positively to investment opportunities that allow for progress on the management of climate-related risk, including transition plans to a net-zero economy. The legislation would create an advisory panel of experts who would examine the state’s investment portfolio to identify climate risks and recommend alternatives.

“The proposed legislation to mandate enhanced consideration of climate risks to the pension fund could not be more timely or urgent,” said Alan Miller, a climate finance and policy consultant. “Last year alone extreme weather events inflicted damages of $145 billion in the U.S. and $280 billion worldwide.”

Miller added that the bill allows for “in-depth investor analysis” to evaluate climate risks within companies and in the state’s investment funds.

But the bill may disappoint some environmentalists who were hoping the state government would move to fully divest fossil fuels from its retirement and pension portfolio. Over time, the sponsors said, the bill would encourage investments to move away from fossil fuels and towards green and renewable energy.
The bill will be heard on Feb. 22 in the House Appropriations Committee and on Feb. 24 in the Senate Budget and Taxation Committee.

Back to top