Retirement News Highlights

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Md. comptroller: Climate risk is an investment risk, so why is Congress trying to prevent me from considering it? | GUEST COMMENTARY

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According to the latest U.S. National Climate Assessment, extreme weather events cost the United States nearly $150 billion each year, disproportionately hurting poor and disadvantaged communities. These events cast a long shadow on our economic landscape.

Whether it's a wildfire in Maui, hurricanes in Florida or flooding in New York City, the impacts of these disasters ripple across multiple sectors of the economy, leaving a trail of asset devaluation and increased insurance costs. As a result, these crises frequently move global markets, triggering a wave of financial pain that crashes down on not only the wheelers and dealers on Wall Street, but also the millions of American workers who depend on their investment portfolios for retirement security.

It might seem odd to think that a fire in Hawaii could affect a teacher's retirement in Maryland, but it's true. And that's exactly why I worked to pass legislation in my last year in office that mandates not only a regular study of our portfolio's risk due to climate change, but also requires that we treat climate risk as the investment risk it is.

As the comptroller of Maryland, I serve as the vice chair of the board of our State Retirement and Pension System, helping oversee $65 billion in assets, and diligently managing and safeguarding the financial interests of over 415,000 members. These beneficiaries are teachers, park rangers, nurses, state workers, public servants and others who help run our state and communities. It is my responsibility to evaluate all information available and ensure that they get the highest returns possible. As extreme weather events continue to intensify and our energy sources continue to transition away from fossil fuels, that means giving serious consideration to climate-related risks.

Unfortunately, some federal lawmakers and officials in other states are pushing proposals that would limit my ability to access essential information and assess all types of risks and returns.

At least four bills pending in Congress now seek to prevent fiduciaries from using all available information to make investment decisions. Each bill works slightly differently, but they all start and end from the same premise: that the only responsibility of fiduciaries is to prioritize short-term financial returns over all other factors.

This is a staggeringly bad idea. In finance, as in life, information is essential to good decision-making. Think about trying to drive your car with one eye closed. Sure, you might be able to see out of your other eye, but you're only getting half the picture. By doing so, you're opening up yourself and your passengers to unnecessary risk that is now outside of your field of vision. These bills would essentially do the same to financial decision-makers — and I doubt anyone wants the people in charge of their retirement savings flying blind.

In addition to opening the door to greater risk, failing to consider these factors is just bad business. Data indicates that taking climate-related risks into account is likely to yield better long-term returns.

In other words, the federal lawmakers who want to restrict fiduciary access to information and investment opportunities are not only attempting to cover our eyes while driving — but also trying to make us leave money on the table.

Of course, this entire effort is profoundly anti-capitalist. Companies that adapt to meet market needs should not be punished by politicians who want to scare constituents with meaningless terms like "woke capitalism." Legislation that prevents companies from adapting in response to certain types of risks — or that prevents investors from investing in those companies — leads down a dangerous path of not only greater exposure and lower returns, but also undermining the fabric of our American system.

As Michael Bloomberg, noted, "anti-[environmental, corporate and goverment] crusaders position themselves as defenders of the free market. But they are attempting to use the government to block private firms from acting in the best interests of their clients." Every retirement saver should be concerned about these legislative efforts.

In Maryland, our State Retirement and Pension Board is pushing back against this attempt to curtail our access to information and our ability to choose where we invest. In our November meeting, we joined the Freedom to Invest campaign, and, as comptroller, I am also a personal signatory. Working with other fiduciaries around the country, I will ensure that we have access to the information we need and the freedom to invest for the benefit of our state retirees.

I care too much about our state, our people and our future to do my job with one eye closed.