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New York's LEADING Union

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Testimony
Senate Standing Committee on Finance
Divesting the State Pension Fund From Fossil Fuels
April 30, 2019

Thank you for the opportunity to submit testimony regarding S. 2126 / A. 1536, relating to the mandated divestment of the New York State Common Retirement Fund from fossil fuels. The Civil Service Employees Association (CSEA) represents 300,000 active and retired, public and private sector employees across New York State. A vast majority of these members and retirees are part of the New York State and Local Retirement System and would be affected by this legislation.

CSEA stands firmly opposed to all legislation, including S. 2126 / A. 1536, that would require the New York State and Local Retirement System to divest from any industry, sector, or company. Divestment mandates would make it more difficult for the Fund to make prudent investment decisions and would limit available growth opportunities to ensure the fund is solvent for current and future retirees.

The New York State Comptroller has a fiduciary responsibility to the 1.1 million members of the New York State Common Retirement Fund. It is the Comptroller's responsibility to invest and grow the Fund's assets to ensure that the retirement benefits earned by its members are protected and available when they retire. Any attempt to impair the Comptroller's ability to appropriately invest these funds is an impediment to the Comptroller's fiduciary responsibility, and puts the retirement security of dedicated public servants at risk.

The Common Retirement Fund has been and continues to be one of the best funded and managed systems in the country. In 2018, the Fund was 97% funded - only three other states have pension plans that are at least 90% funded. The Comptroller has achieved such a significant funding level primarily from investment earnings. Seventy-five percent of the benefits paid to retirees and beneficiaries come from these earnings, whereas only twenty-five percent comes from a combination of employer and employee contributions and miscellaneous revenue. Any attempt to limit investment options could harm investment earnings, and any loss of earnings would then have to be supplemented by increased contributions from public employers.

Investment decisions must be made based on factors determined by the Comptroller, staff, and outside financial experts. These factors should include the present and future financial condition of a company and industry, past performance, potential risk, and market trends. Decisions must be made based on the potential earnings of an investment and the potential returns for members of the Common Retirement Fund.

The Common Retirement Fund has never been a tool to make political statements and we do not believe that it should start now. The enactment of this legislation will lead to additional divestment proposals for industries that are currently out of favor with legislators. This micromanaging could lead to diminished returns, a more unstable pension fund, and increased contributions by government employers.

CSEA will actively oppose any legislation put forth by the legislature that would require the divestment of holdings in the Common Retirement Fund from any company or industry. The retirement security of over one million New Yorkers should not be based on the political trade winds in Albany.

Thank you.