

1 TO THE HONORABLE SENATE:

2 The Committee on Government Operations to which was referred Senate
3 Bill No. 42 entitled “An act relating to divestment of State pension funds of
4 investments in the fossil fuel industry” respectfully reports that the bill be
5 amended by striking out all after the enacting clause and inserting in lieu
6 thereof the following:

7 Sec. 1. PUBLIC PENSION FUNDS; FOSSIL FUELS; VERMONT
8 PENSION INVESTMENT COMMISSION; PLAN AND
9 REPORT

10 (a) Definitions. As used in this section:

11 (1) “Carbon footprint” means the extent to which holdings are invested
12 in stocks, securities, or other obligations of any fossil fuel company or any
13 subsidiary, affiliate, or parent of any fossil fuel company.

14 (2) “De minimis exposure” means the aggregate amount of all fossil fuel
15 holdings in the portfolio amounting to less than two percent of the aggregate
16 amount of all funds invested.

17 (b) Review. On or before December 31, 2023, the Vermont Pension
18 Investment Commission, in consultation with the Office of the State Treasurer,
19 shall complete a review of the carbon footprint of the holdings of the Vermont

1 State Employees' Retirement System, the Vermont State Teachers' Retirement
2 System, and the Vermont Municipal Employees' Retirement System.

3 (c) Plan.

4 (1) Divestment. Except as provided in subdivision (2) of this
5 subsection, the Commission, in accordance with sound investment criteria and
6 consistent with fiduciary obligations, shall develop a plan to divest:

7 (A) any such holdings identified in the review described in
8 subsection (b) of this section on or before December 31, 2030; and

9 (B) any asset classes identified in the review described in
10 subsection (b) of this section on or before December 31, 2040.

11 (2) Exemptions.

12 (A) Nothing in the plan shall preclude de minimis exposure of any
13 funds held by the Commission to the stocks, securities, or other obligations of
14 any fossil fuel company or any subsidiary, affiliate, or parent of any fossil fuel
15 company; provided, however, that the plan shall contain a clear long-term goal
16 of divestment from these funds.

17 (B) Private investments that contain fossil fuel company stocks,
18 securities of any fossil fuel company or any subsidiary, affiliate, or parent of
19 any fossil fuel company, and obligations shall be exempt from the plan

1 described in subdivision (1) of this section until such time as the Commission
2 deems divestment to be prudent and consistent with sound fiduciary practice.

3 (3) Definitions and methodology. The Commission shall include in the
4 plan described in this subsection:

5 (A) a definition for “fossil fuel company”; and

6 (B) a method for determining the metric of the portfolio’s carbon
7 footprint that allows for an exemption of private investments for the purpose of
8 determining the de minimis exposure.

9 (d) Report.

10 (1) On or before June 1, 2024, the Commission shall submit a report on
11 the review and plan described in subsections (b) and (c) of this section to the
12 House Committee on Government Operations and Military Affairs and the
13 Senate Committee on Government Operations and to the Joint Pension
14 Oversight Committee.

15 (2) Beginning on January 15, 2025, and annually thereafter until January
16 15, 2030, the Commission shall submit a report to the House Committee on
17 Government Operations and Military Affairs, the Senate Committee on
18 Government Operations, and the Joint Pension Oversight Committee on the
19 progress of divestment described in this section. The report shall also include:

1 (A) an update on the composition and percentage of exposure of any
2 investments exempt from the divestment plan pursuant to subdivision (c)(2) of
3 this section; and

4 (B) a summary of the fee impacts and any instance of excessive
5 charges or demands related to the rebalancing of the funds consistent with the
6 implementation of this act.

7 (3) On or before January 15, 2041, the Commission shall make a final
8 report to the House Committee on Government Operations and Military
9 Affairs and the Senate Committee on Government Operations and the Joint
10 Pension Oversight Committee regarding completion of divestment described in
11 this section.

12 Sec. 2. DIVESTMENT PLAN; VERMONT PENSION INVESTMENT

13 COMMISSION; APPROPRIATION

14 In FY 2024, the amount of:

15 (1) \$100,000.00 in general funds is appropriated to the Vermont Pension
16 Investment Commission to conduct the review and develop the plan described
17 in Sec. 1 of this act; and

18 (2) \$254,000.00 shall be appropriated to the Vermont Pension
19 Investment Commission from the Vermont State Retirement Fund to establish
20 two staff positions to support improvements and efficiencies in the

1 administration of the Commission and to meet the review, planning, and
2 reporting requirements of this act.

3 Sec. 3. EFFECTIVE DATE

4 This act shall take effect on July 1, 2023.

5

6 (Committee vote: _____)

7

8

Senator _____

9

FOR THE COMMITTEE