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July 27, 2015

Stephen Rauh, Chair
Vermont Pension Investment Committee (VPIC)
109 State Street
Montpelier Vermont 05609-6200

RE: Pension Funds , Divestment and Environmental, Social and Governance Initiatives Policy (ESG)

Dear Chair Rauh and Members of the Vermont Pension Investment Committee :

I am a member and beneficiary of VSERS. I write with respect to the VPIC decision making process concerning divestment from fossil fuel industries . My specific concern is the clear likelihood of substantial undue adverse effects on the retirement fund if divestment is not pursued in a gradual but methodical manner.

I have reviewed the VPIC ESG policy as well as publicly available VPIC meeting minutes. It seems evident that the scope of the July 28, 2015 VPIC meeting will include consideration of the Treasurer staff report on holdings in the coal industry as well as a general re-examination of the issue of divestment from the fossil fuel industries.

A comprehensive "up and down" vote on divestment (coal, gas and oil) does not seem advisable or prudent at this time . Absent a thorough consideration of impacts on the retirement fund that will result <u>by not divesting</u> – in light of the growing body of data and analyses available on both the environmental and health impacts of climate change and the reasonably foreseeable dire financial effects – VPIC would appear to be moving to a premature comprehensive decision on divestment without having taken appropriate steps for informed decision making.

A reasonable person may conclude that continued investments in fossil fuel industries- despite the high rates of return in the short term – represent a threat to the stability and long term security of the fund. Without consideration of empirical data and analyses that evaluate and factor in stranded assets , VPIC cannot make an informed decision on divestment. A less than informed decision would appear to breach the fiduciary responsibility of VPIC to the beneficiaries pursuant to the provisions of 3 VSA Chapter 17 and be inconsistent with the statutory provisions of the "prudent investor rule" as set out in 14A VSA 902.

It is a question of what VPIC perceives as the applicable standard of foresight and acceptable levels of risk for public investment systems. *

I request that VPIC not have an "up and down" vote on divestment at its July 28th meeting. As an alternative, I suggest that VPIC form a committee to revisit and amend its ESG policy with specific consideration to be given to the unique and unprecedented long term effects on market forces from climate change - such as the "carbon bubble" and anticipated stranded assets . Following the amendment of the ESG policy, VPIC should then request a report that fully explicates the potential for long term undue adverse impacts on the fund from reasonably foreseeable stranded assets. "Constructive engagement" under the current ESG policy is a well-intentioned but failed strategy to influence the fossil fuel industries . Divestment is the sound course to be followed in safeguarding the economic security of the tens of thousands of beneficiaries whose fate lies in the hands of VPIC.

In closing, VPIC members may find of interest a February 2015 report by the Union of Concerned Scientists entitled " Stormy Seas, Rising Risks: What Investors Should Know About Climate Change Impacts At Oil Refineries" (noting particularly chapter 3 in the report wherein recommendations are framed for the SEC and investors) . The report may be found at www.ucsusa.org . I cite the UCS report as but one example of many studies published since the adoption of the ESG policy in 2013.

Respectfully,

Ed Stanak

* Some beneficiaries of the fund believe that the "housing bubble" burst of 2008 could have been, and in fact was, foreseen by some financial analysts and economists . However, it seems that VPIC's professional advisors and staff did not give credence to such warnings in their advice to VPIC and the results were detrimental to the fund. Now, as Yogi Berra would counsel, we face "déjà vu all over again" as the "carbon bubble" expands and the pension fund is once more in material jeopardy .