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RE: S.28 and Divestment of Public Employee Pension Fund Assets from
Fossil Fuel Industries

Chairs and Members of the Senate and House Government Operations Committees :

As a retired state employee and beneficiary of the Vermont State Employee Retirement System (VSERS) , I support the gradual divestment of the retirement fund assets from fossil fuel industries. This is a critically necessary step in order to ensure the long term financial security of the system in light of the growing body of economic analyses that have quantified the projected adverse effects of the expanding “carbon bubble” and the likelihood of eventual “stranded assets”. This is not to discount the equally compelling and urgent environmental factors that require immediate tangible steps to address climate change impacts on ecosystems and future generations . My position in support of divestment is that of a person living on a fixed income and concerned about effects on current and future retirees if prudent action is not taken to safeguard the investments of the members of the fund and its employer contributor, the State of Vermont.

I was a public employee for more than 32 years as an administrator of the state’s land use and development law known as Act 250. In that capacity, and beginning back in the 1980s, I was able to delve into many technical and scientific studies on a wide range of environmental issues – not the least of which were the discussions of dire climate change impacts. I was also very active within the Vermont State Employees Association (VSEA) and served in several leadership roles, including that of VSEA president (2000-2006) . As a retiree, I have been deeply involved over the course of the last two years in researching and speaking out about the need for timely and thorough consideration of the divestment of the retirement funds.

In addition to multiple efforts to have VSEA form an internal committee to study the effects of divestment from fossil fuel industries on the retirement fund, – or, more importantly, the costs to the retirement fund from a failure to pursue timely divestment , I have also participated in proceedings before the Vermont Pension Investment Committee (VPIC) . I filed a position dated July 27, 2015 (copy attached) with VPIC urging VPIC to postpone a decision on divestment until such time as its ESG guidance policy had been updated and thus provide an opportunity for evaluating divestment implications in the context of contemporary factors. In my VPIC filing I further contended that the failure to pursue gradual divestment was inconsistent with both the fiduciary responsibility borne by VPIC members and the “prudent investor rule”

as set out in the provisions of 14A VSA 902. VPIC voted unanimously to oppose divestment at its July 28, 2015 meeting.

I recite my efforts within VSEA and before VPIC relative to divestment as evidence of my strong belief that there is an obligation to exhaust other possible options before seeking a legislative remedy. Having said that, while I support the objective of S.28 – namely the eventual divestment of the assets – as a union leader I continue to struggle with the precedential implications of a legislative mandate directing the management of the retirement funds. This is not the first time I have grappled with this concern. In the mid 1980s I was one of then young VSEA activists who initially advocated for similar legislative action to divest retirement funds from support of apartheid. We ceased that effort once we understood the importance of maintaining the independence of the management of the funds. The General Assembly subsequently enacted Act 249 of 1986 requiring the divestment of all public funds from apartheid related uses.

I very much prefer a similar broad based legislative approach to the gradual divestment of funds from fossil fuel industries, perhaps beginning with coal, and suggest that consideration be given to amendment of the provisions of 14A VSA 902 (“prudent investor rule”) to include factors cognizant of ramifications on investments from the economic impacts of climate change . Some will argue that adding climate change factors to the existing criteria of 14A VSA 902 opens the door to a never ending extension of the criteria to include factors driven by other social or environmental advocacy concerns. In response, it is noted that the assessments and projections of an overwhelming majority of the world’s scientific community are that the effects of climate change are the most profound, all encompassing and unprecedented threats to society and the planet . In this context, not taking action here in the Green Mountains to respond appropriately to these threats is not an acceptable option. The least that must be done is the end of investments in the causes of these threats.

In closing, although my concerns with S.28 are material and deep seated given my perspective as a VSEA leader, I am driven by an ethical imperative that divestment is critically essential to ensure the long term financial security of the retirement fund. Thus, in the absence of a viable VSEA study committee and responsible action by VPIC, there is no other recourse but to support a legislative mandate in order to prevent foreseeable and irreparable damage to the collective well-being of thousands of present and future beneficiaries of the VSERS.

Respectfully,

Ed Stanak