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STATE OF VERMONT
OFFICE OF THE STATE TREASURER

February 3, 2016

The Honorable Peter Shumlin
Pavilion Office Building
4th Floor, 109 State Street
Montpelier, VT 05609

Dear Governor Shumlin:

We agree that climate change exists as one of the great challenges that we face as a State and that investment in renewables is an important component in reducing our carbon footprint. We want to thank you for your commitment to Vermont's energy future. That said, we do not believe that legislating investments is an appropriate course of action. Investment decisions belong exclusively with the Vermont Pension Investment Committee (VPIC). As you are aware, VPIC was created by the Legislature and charged with the fiduciary responsibility to invest on behalf of the approximately 50,000 active, vested, and retired members of the State, Teacher, and Municipal retirement systems. Whether investing in renewable stock or divesting from energy or any other sector—legislating those decisions is not good investment policy.

The issues presented should be evaluated within the context of Federal and State standards of prudence, starting with a clear identification of the facts. Much of the public discourse has been more about persuasion than a real assessment of the cost and benefits. We invite you to meet with the VPIC to engage in a thoughtful dialogue to address these issues and present your proposal for consideration. We also invite you and your staff, as well as any other parties, to meet with our staff and investment professionals to conduct a thorough review in preparation of that meeting.

Governor, we share a commitment to the environment, Vermont's economic prosperity, and well-being of our retirees. We believe that this approach is the right course of action and encourage you to engage with us in this constructive effort.

Sincerely,

Thomas Golonka
Chair, Vermont Pension Investment Committee

Beth Pearce
Vice-Chair, Vermont Pension Investment Committee
State Treasurer

Cc: Shapleigh Smith, Speaker of the House
President Pro-Tempore, John Campbell

VERMONT TROOPERS' ASSOCIATION, INC.
7 Baldwin Street | P.O. Box 1474 | Montpelier, VT 05601

RESOLUTION CONCERNING INVESTMENT OF PENSION FUNDS

WHEREAS:
Vermont State Troopers' contribute to the Vermont State Employees' Retirement Plan throughout their careers;
AND WHEREAS;
Monies invested into the Vermont State Empoyees' Retitrement fund belong to the person that have contributed to this fund;
AND WHEREAS;
Monies in the Vermont State Employees' Fund are being ethically, professionally and succesfully managed;
AND WHEREAS;
The Vermont State Employees' Fund is fiscally solvent;
AND WHEREAS;
Members of the Vermont Pensions Investment Committee carefully consider return on investments as well as ethically responsible investments;
AND WHEREAS;
Monies invested into the Vermont State Employees Pension Fund are not the property of the State of Vermont or the general citizenry;
AND WHEREAS;
It is the responsibilty of the Vermont Pension Investment Committee, and not the Vermont Legislature, to decide which ethically appropriate investmensts will provide the best return on investments, within an acceptable range of risk;
NOW THEREFORE, BE IT RESOLVED;
That Board of Directors of the Vermont Troopers' Association, Inc. (VTA) on behalf of it's members, support that the responsibility to make prudent investment decisions in accordance with the appropriate statutory and fiduciary requirements, continue to be vested in the Vermont Pension Investment Committee and not the Legislature or any other entity.
AND BE IT FURTHER RESOLVED:
That a copy of this resolution be provided to the State Treasurer and the Vermont Pension Committee and used in support of the continued decision-making authority of said Committee.

Adopted this 29th day of January, 2016 by the Board of Directors of the VTA, Inc.

Michael O'Neil
President, Vermont Troopers' Association, Inc.

RESOLUTION CONCERNING INVESTMENT OF PENSION FUNDS

WHEREAS:
Vermont State Employees contribute to their retirement plan throughout their careers;

AND WHEREAS:
Monies invested into the Vermont State Employees' Pension Fund belong to the persons who have contributed to this fund;

AND WHEREAS:
Monies in the Vermont State Employees' Pension Fund are being ethically, professionally and successfully managed;

AND WHEREAS:
The Vermont State Employees' Pension Fund is fiscally solvent;

AND WHEREAS:
Members of the Vermont Pensions Investment Committee carefully consider return on investments as well as ethically responsible investments;

AND WHEREAS:
Monies invested in the Vermont State Employees' Pension Fund are not the property of the State of Vermont or the general citizenry;

AND WHEREAS:
It is the responsibility of Vermont Pension Investment Committee, and not the Vermont Legislature, to decide which ethically appropriate investments will provide the best return on investments, within an acceptable range of risk;

NOW THEREFORE BE IT RESOLVED:
That members of the Vermont State Employees' Association, Inc. (VSEA) Retirees' Chapter recommend to the members of the VSEA Board of Trustees and VSEA Council that they do all in their power to prevent the passage of legislation that would enable members of the Vermont Legislature to be involved in the decision of how or where the monies in the Vermont State Employees' Pension Fund be invested.

ADOPTED BY MEMBERS OF THE VSEA RETIREES' CHAPTER BOARD OF TRUSTEES DECEMBER 11, 2014.

ADOPTED BY MEMBERS OF THE VSEA BOARD OF TRUSTEES DECEMBER 10, 2014

ADOPTED BY MEMBERS OF THE VSEA COUNCIL DECEMBER 16, 2014

RESOLUTION CONCERNING INVESTMENT OF PENSION FUNDS

WHEREAS: State employees in Vermont contribute to the Vermont State Employees Retirement Plan throughout their careers; and

WHEREAS: Monies in the Vermont State Employees Retirement Plan are currently being invested in accordance with the fiduciary duties incumbent upon the members of the Vermont Pension Investment Committee; and

WHEREAS: Members of the Vermont Pension Investment Committee owe a duty of care to the members and beneficiaries of the Vermont State Employees Retirement System; and

WHEREAS: Members of the Vermont Pension Investment Committee carefully consider return on investments and ethically responsible investments in accordance with state and federal statutes, committee policies and their fiduciary duties; and

WHEREAS: The Vermont State Employees Retirement Plan is financially solvent; and

WHEREAS: It is the responsibility of the Vermont Pension Investment Committee, not any other entity, to act in accordance with the prudent investor rule and by law to strive to maximize total return on investment, within acceptable levels of risk for public retirement systems.

NOW THEREFORE, BE IT RESOLVED: That the Board of Directors of the VRSEA, Inc., on behalf of its retired members, support that the responsibility to make prudent investment decisions in accordance with appropriate statutory and fiduciary requirements, continue to be vested in the Vermont Pension Investment Committee and not the legislature or any other entity.

AND BE IT FURTHER RESOLVED: That a copy of this resolution be provided to the State Treasurer and the Vermont Pension Investment Committee and used in support of the continued decision-making authority of said Committee.

Adopted this 2nd day of December, 2015 by the Board of Directors of VRSEA, Inc.

Cornelius Reed

Cornelius Reed
President, VRSEA, Inc.

RECEIVED
DEC 28 2015
VERMONT RETIREMENT

...any legislative intrusion into investment decision-making regarding both VSTRS and VMERS. It also supports increasing attention by the Systems to socially responsible investing. Mark just let me know you asked. Here's the precise wording:

> Vermont-NEA supports efforts to move more of its members' funds in the Vermont State Teachers' and Vermont Municipal Employees' Retirement Systems into socially responsible investments. At the same time, Vermont-NEA supports retaining all authority for investment decisions in the boards constituted to make them. Therefore, Vermont-NEA will inform the retirement systems and the Legislature, as warranted, that it (a) encourages the systems to engage increasingly in socially responsible investments and (b) supports not having the Legislature impose any investment requirements on the retirement systems.

This motion was made by Sally the past president of VRTA, it carried with 100% backing

On Monday, July 20, 2015 4:36 PM, [redacted]> wrote:

I would like to make a motion that the board of directors of the Vermont Retired Teachers Association support the members of Vermont Pension and Investment Board in upholding their fiduciary responsibilities.

RESOLUTION CONCERNING INVESTMENT OF PENSION FUNDS

WHEREAS: Municipal employees in Vermont contribute to the Vermont Municipal Employees Retirement Plan throughout their careers; and

WHEREAS: Monies in the Vermont Municipal Employees Retirement Plan are currently being invested in accordance with the fiduciary duties incumbent upon the members of the Vermont Pension Investment Committee; and

WHEREAS: Monies invested in the Vermont Municipal Employees Retirement Plan belong to the employees and retirees who have contributed to this fund as well as to any other beneficiaries; and

WHEREAS: Members of the Vermont Pension Investment Committee owe a duty of care to the members and beneficiaries of the Vermont Municipal Employees Retirement System; and

WHEREAS: Members of the Vermont Pension Investment Committee carefully consider return on investments and ethically responsible investments in accordance with state and federal statutes, committee policies and their fiduciary duties; and

WHEREAS: The Vermont Municipal Employees Retirement Plan is financially solvent; and

WHEREAS: It is the responsibility of the Vermont Pension Investment Committee, not any other entity, to act in accordance with the prudent investor rule and by law to strive to maximize total return on investment, within acceptable levels of risk for public retirement systems.

NOW THEREFORE BE IT RESOLVED: That the Board of Directors of the Vermont League of Cities and Towns, on behalf of its 246 member municipalities, support that the responsibility to make prudent investment decisions in accordance with appropriate statutory and fiduciary requirements, continue to be vested in the Vermont Pension Investment Committee and not the legislature or any other entity.

AND BE IT FURTHER RESOLVED: That a copy of this resolution be provided to the State Treasurer and the Vermont Pension Investment Committee and used in support of the continued decision-making authority of said Committee.

Adopted this 30th day of July, 2015, by the Board of Directors of the Vermont League of Cities and Towns

Jared Cadwell
President, Board of Directors, Vermont League of Cities and Towns

From: Stephen Klein
Sent: Thursday, July 16, 2015 1:40 PM
To: 'Anthony Pollina'
Cc: Neil Schickner
Subject: RE: Fossil Fuel Divestment Question

I asked Neil Schickner to review all the material in your email links along with an analysis of the divestment initiative done for the Vermont Pension Investment Committee (VPIC) by the investment consultant NEPC. NEPC is one of the industry's largest independent, full-service investment consulting firms. He also reviewed a similar analysis done for the City of Seattle by NEPC and relevant statutes. Based on that preliminary review, if the Joint Fiscal Office were formally requested to analyze the issue, our report would likely make the following points:

►As of July 2014, the Vermont state employee and teacher's pension funds were funded at a funding level of 77.9% and 59.9% respectively. Investment returns are a critical component to ensuring that there are sufficient assets for retirement benefit funding.

► In the context of established, generally accepted principles of pension fund management, VPIC's lack of support for divestment is reasonable.

By statute VPIC owes a duty to the beneficiaries of the retirement fund to manage the fund's assets in accordance with the prudent investor rule which, inter alia, directs trustees to diversify trust investments. 3 VSA §523, 14A VSA §901(a) and §903.

► Legislative action would be needed to carry out divestment of funds to product the pension managers from legal risk.

The two corner stones of pension fund management are (1) invest the fund's assets in a diversified portfolio that mirrors in its weighting the entire universe of investible assets and (2) periodically rebalance the portfolio to reflect market driven changes in the relative weighting of the different sectors and of companies in each sector.

One benefit of this mechanical, market driven approach is that it eliminates personal speculation as a factor of fund performance. A pension fund essentially invests in assets that have proven to be profitable and which the market as a whole expects to continue to be profitable; and then relies on changing market valuations to signal which sectors, technologies and companies are or are expected to become more or less important or profitable in the future.

A pension fund portfolio that is rebalanced periodically on a fixed schedule also has the benefit of balancing out the negative effects of fortuitously buying at the top or selling at the bottom and of making portfolio changes that incrementally reflect the evolving consensus of the market over time.

Prudent pension fund management is thus a market disciplined approach. A pension fund may allocate a small portion of its portfolio to investments intended to anticipate market or economic developments but such active, inherently more speculative, decision-making is limited to the margins of the portfolio.

The strictly financial arguments in support of fossil fuel divestment, in turn, involve a level of uncertainty and an exclusion of a significant portion of the market that is inconsistent with these core principles of pension fund management.

► VPIC's position on divestment is based on an analysis by an experienced, independent pension fund management consultant.

In response to the divestment initiative, VPIC hired the pension fund consultant NEPC to analyze Vermont's retirement funds and the likely impact of divestment. NEPC's preliminary analysis delivered in February 2013 concluded that divestment would hypothetically result in (all figures are midpoints of ranges) (1) a onetime transaction cost of $1.9 million, (2) an annual increase in management fees of $820,000, (3) an annual decrease in expected investment return (beta) of $6 million and (4) an annual decrease in expected investment return (Alpha) of $2.0 million. In addition to these estimates the report states that "NEPC believes that divesting of the energy sector will also impact VPIC's equity and total portfolio risk."

NEPC is an experienced, reputable and independent pension fund management consultant. At a minimum, NEPC's analysis demonstrates that the future profitability of fossil fuel investments relative to fossil free investments is a matter of some debate among experts. Beneficiaries of Vermont's retirement funds will want to know the extent to which divestment is motivated by political objectives distinct from a concern for the stability and reliability of their retirement incomes. By retaining an independent pension fund management consultant, VPIC fulfilled its duty of due diligence in that regard. Having done so, and having received an opinion that divestment would be inadvisable, VPIC would have to have a compelling argument to overrule its own consultant which obviously complicates their decision-making.

► The investment case for fossil fuel divestment involves a degree of risk and uncertainty that would raise serious concerns at a prudently managed pension fund.

The financial case in support of divestment assumes that:

(1) Political, economic and technology developments over the next 10-30 years will evolve such that their combined effect will be to impair the profitability of companies in the fossil fuel business,
(2) It is possible now by using the single criterion of ownership of fossil fuel reserves to identify those companies whose profitability will be impaired by these developments,
(3) The identified fossil fuel companies are overvalued in today's market, i.e. their current market valuations do not account for the risks to their future earnings potential,
(4) It is possible now to identify companies in the fossil free sector whose earnings potential will be enhanced as those of fossil fuel companies decline,
(5) The identified companies in the fossil free sector are undervalued in today's market, and
(6) Divestment of fossil fuel assets and re-investment in fossil free assets will provide Vermont's retirement funds with an exposure to the energy sector that reflects the sector's relative weight in the market and the general economy.

The strictly financial case for divestment involves a number of inter-dependent variables of uncertain probability whose uncertainty is compounded by an unusually long time horizon. Even if an investor believed that each of the required events will unfold over time as forecasted and that each of the initial assumptions as to current valuations proves over time to be true, the potential excess return to be gained by investing now when so much is uncertain would have to be weighed against the risk of loss and underperformance if the initial assumptions prove to be wrong or events do not evolve as projected. Investors with a higher appetite for risk could reasonably disagree in making that risk-versus-reward assessment. For a pension fund manager tasked with generating a steady stream of income the assessment is much more problematic.

The problem with the "stranded asset" argument that fossil fuels are lower value is that it is based on a judgment that the current market's assessment of the risks posed to fossil fuel companies by political, economic and technological developments over the next 10-30 years is wrong. The current market's assessment of that risk may well turn out to be wrong; but a pension fund trustee who substitutes their judgment for that of market and makes substantial changes in a portfolio based on that judgment is arguably violating their duty of care owed to pension beneficiaries (and certainly exposing themselves to personal liability).

The fact that fossil free portfolios have outperformed fossil fuel indices over the past 1, 2 or 5 years is unpersuasive for several reasons.

First, any comparison ending in 2014 or early 2015 includes the 6-8 month period in which crude oil prices declined by 50%.

Second, companies in the renewable energy sector are, in part dependent on government subsidies. Whether those subsidies will be continued and whether the companies will be profitable without them are key unknowns that cloud any projection of their future performance.

Third, and most importantly from a pension fund perspective, the fossil free sector is minuscule compared to the fossil fuel sector. Divestment would constitute a de-diversification of a significant portion of Vermont's pension fund portfolios followed by a concentration of assets in a small sector of the economy.

► Incremental periodic portfolio rebalancing will accomplish a similar financial objectives without the risks.

To the extent that political, economic and technological developments over the next 10-30 years evolve exactly as laid out by the divestment advocates, the pension funds' normal periodic portfolio balancing would gradually shift the funds' energy sector portfolio from one dominated by fossil fuel companies to one dominated by fossil free companies.

The incremental shift would have the advantage of avoiding the substantial risks involved in a single massive divestment and reinvestment within a short period of time. Besides the risk that the divestment case projections might be wrong, or that they may be right but stretched out on a different time horizon, a single massive shift stamps all the transactions with the valuations that happen to exist in a certain market at a certain time.

Incremental portfolio rebalancing eliminates those risks but also sharply reduces the risks inherent in the underlying uncertainties of the divestment case. That is because the portfolio would divest fossil fuel assets and invest in fossil free assets only when political, economic or technology developments have crystallized to the point as to be validated by the general market.

RESPONSE TO JFO

To: Stephen Klein; Neil Schickner
From: Senator Anthony Pollina
Response to JFO Re: Fossil Fuel Divestment Question

I appreciate JFO taking the time to begin addressing our questions regarding the potential divestment of Vermont pension funds from the 200 companies with the largest carbon reserves over 5 years. To follow up our conversation where I questioned parts of the analysis, and in the spirit of continuing dialogue I offer the following comments:

We share the goal of maintaining and in fact improving the integrity of our retirement funds and protecting the economic security of our retirees. We would not support actions that undermine that security.

We share Treasurer Beth Pearce's concern with global warming and the environmental impacts of burning fossil fuels. There is also little doubt that Vermont's continued investment in fossil fuel industries contradicts our stated policy goal of reducing our reliance on fossil fuels.

Our examination of divestment, however, is primarily driven by concern over the increasing volatility of fossil fuel companies and funds, which pose an increasing threat to the security of our retirement funds.

I remind us that our question centered on bills in the Senate and House proposing state retirement funds divest from certain fossil fuel companies (the top 200 carbon reserves) over 5 years." We asked JFO to review some literature, and the experience of those who have divested from fossil fuels and provide guidance as to the NEPC analysis and the experience of entities that have divested as well as those with contrary views. I included links to reports and articles showing benefits of divestment, including no transaction costs and comparable or higher returns.

Much of the JFO analysis centered on the NEPC report but there are reasonable questions about the report and its relevance to the proposed 5 year, targeted divestment proposal.

- NEPC appears to calculate the costs of divesting from the entire energy sector and presumes to do so at one time. This is not the proposal. The proposal calls for divesting from the top 200 publicly traded companies with the largest carbon reserves, over 5 years. The costs described by NEPC would surely be very different from what we expect under our proposal.

- NEPC looks at how the fossil fuel industry performed over the last 10 years; which may be a poor indicator for long term investors, given new market forces. When we consider climate changes, more restrictive regulation, higher capital expenditures, increasingly competitive renewable energy, volatile oil prices, political and cultural pressures and other considerations that didn't exist 10 years ago, we could argue that the next 20 years will look nothing like the last 20 years with respect to fossil fuels
- NEPC falsely suggests fossil fuel companies invest substantially in renewable/clean energy. A report from the NRDC (2011) shows that for every dollar the oil industry spent to find and produce oil they spent less than half a penny producing renewable fuels and invested only $4 billion out of their $2090 billion of investments in renewable energy, (0.1%).
- NEPC says commingled funds would all have to be transferred to separately managed accounts, increasing costs; but during the 5 year divestment period there will likely be commingled fossil free accounts.

Other questions concern the perceived strategy for divestment and reinvestment.

It appears both NEPC and JFO anticipate that fossil fuel funds will be reinvested in other energy interests, specifically the renewable energy sector. This is not the case. Funds would be reinvested where the profit potential is greatest and in keeping with portfolio priorities.

It is said that the fossil free sector is minuscule compared to fossil fuels, presumably to underscore the limitations of reinvesting in renewable energy. But, this is irrelevant since there is no dictate to shift to fossil free energy investments, in fact, the reinvestment opportunities will include everything (technology, pharmaceuticals, food, transportation, you name it…) except for that small group of companies with the largest carbon reserves.

It is said that the renewable energy sector is dependent on government subsidies that may or may not continue. This is true but the fossil fuel industry has also relied on subsidies, which also may or may not continue. A recent IMF analysis finds that when all subsidies, including cost shifts related to environmental and human health are considered the global fossil fuel sector is subsidized at a rate of $10 million a minute. Again, this may or may not continue.

Fossil fuel free funds outperform others.

JFO recognizes, and then dismisses the fact that fossil fuel free funds have outperformed those with fossil fuels saying the short time frame of the analyses makes them unpersuasive. However, the fact remains that projections and experience show fossil fuel free funds have performed the same or better than funds with fossil fuels. This goes to the very heart of the discussion and deserves greater scrutiny as asked for in our initial question.

JFO advocates an incremental approach.

JFO speaks to the benefit of taking an incremental approach to shifting investments, “to avoid substantial risks in a single massive divestment and reinvestment in a short period of time.” This is a critical point with which we agree. That is exactly why we are not proposing a massive, quick divestment. Instead, the proposal calls for divestment from a limited number of companies over a 5 year period. This is an incremental strategy.

As we continue to consider the idea of divesting from fossil fuels we should do so knowing:

- The proposed legislation does not call for reinvesting in renewable energy, so issues such as the size of the renewable sector or the fate of its subsidies is not relevant.
- There is credible evidence that, in the short term, fossil fuel free funds can and do perform as well or better than funds with fossil fuels, so there should be more focus on long term potential.
- The legislative proposal avoids a massive, quick divestment and in fact proposes limited, targeted divestment over a period of 5 years with the ability to make thoughtful, timely decisions, as advocated by JFO.

NEXT STEPS

January 11, 2016

The threats resulting from climate change are acute and global in scale, requiring efforts at all levels of government, the private sector and the public at large. A transition to a low carbon future will require fundamental changes in demand and transformation of our energy systems. These changes will result in additional regulatory and financial risks on companies. As institutional investors, VPIC and the Treasurer's Office seek environmental, social and governance (ESG) changes by companies and encourage our investment managers to incorporate considerations of these risks into their investment processes and encourage ESG changes by portfolio companies. As outlined in the report, the Treasurer's Office has and will continue to address these in a number of ways, including, but not limited to the following:

- The Treasurer's Office will continue its work as a founding member of the Investment Network for Climate Risk (INCR), operating through Ceres, a non-profit organization advocating for sustainability. INCR has since grown to a network of 114 institutional investors representing more than $13 trillion in assets under management, pooling their collective efforts for joint action on climate risk.

- The Treasurer's Office and VPIC will continue to utilize their proxy-voting rights at shareholder meetings according to the VPIC proxy policies in support of progressive ESG initiatives endorsed by the VPIC. The proxy guidelines deal with issues such as executive compensation, auditor independence, shareholder rights, discrimination, and fair labor practices, as well as guidance on a range of subjects relating to environmental disclosure and climate change. These policies were originally adopted in 2004, and have continued to be reviewed annually to further address ESG issues.

- The Treasurer's Office and VPIC will continue to use investor sign-on letters to urge companies to require transparency in their political spending, increase environmental disclosure, and pressure major companies in the palm oil industry to adopt policies that will ensure environmentally sustainable practices.

- The Treasurer's Office will continue to encourage increased compliance in regard to climate risk disclosures by companies by calling on the SEC to improve enforcement of its climate change guidance issued in February 2010. The goal is to improve corporate disclosure on material sustainability risks and opportunities that can be used by investors when valuing the company and assessing the risks associated with the firm.

- The Treasurer's Office and VPIC will stay engaged in its participation in the Carbon Asset Risk project. Staff will continue to engage oil and gas companies targeted by this initiative through shareholder resolutions and participation in the INCR Carbon Asset Risk working group. To date, the project has received several guarantees of additional reporting on company issued annual reports regarding sustainability goals and the effects of climate change on company business models.

- The Treasurer's Office and VPIC will continue to use shareholder engagement to utilize combined assets under management and our "seat at the table" to file shareholder resolutions to encourage companies to address risks relating to climate change. On April 16, 2015, 98% of BP shareholders, in an historic vote, passed a resolution requiring increased annual reporting on climate change risks (a 75% vote was required to make it binding). Vermont was a co-filer of this resolution. Vermont is also a co-filer on a resolution requesting ExxonMobil adopt quantitative goals for reducing greenhouse gas emissions. Treasurer Pearce attended the annual meeting in May 2015 to ensure that VPIC and Vermont's concerns are heard.

- The Treasurer's Office will continue its work with its investment managers to survey how they are incorporating concerns related to climate change, and specifically how they integrate these concerns into security selection, fund allocation decisions, and strategic fund initiatives.

- The Treasurer's Office will continue to oversee and administer the fossil fuel free investment option that was added in 2014 to its deferred compensation and other optional retirement investment programs. The addition of a fossil-free fund offering provides employees the opportunity to invest in companies that support a sustainable future, while supplementing their retirement savings.

- The Treasurer's Office will continue to build off the approximately $30 million already committed to local investments in energy efficiency and renewable energy in Vermont and expects to increase this total over the next several months.

The key to the Treasurer's Office and VPIC approach is the use of constructive engagement to further environmental, social and governance goals. The Treasurer's Office and VPIC leverage their standing and rights as shareholders to influence corporate and governmental entities to act responsibly. This includes, but is not limited to, shareholder resolutions, shareholder sign-on letters, and supporting policy initiatives for transparency. A collaborative approach to this engagement is essential. By pooling our efforts with other institutional investors, the Treasurer's Office and VPIC are able to leverage the combined assets under management to effect change.

The Treasurer's Office and VPIC stand ready to work with all stakeholders to address the important issues surrounding environmental, social, and governance issues. While it is clear that there is much work left to do, the Treasurer's Office is looking forward to a collaborative effort in meeting the challenges that lie ahead and accomplishing real change in the arena of Vermont's energy and climate risk mitigation goals, while also continuing to provide financial security to the state and the 48,000 active, vested, and retired members of the retirement system in Vermont. It is the aim of the Treasurer to ensure that each retiree can enjoy a lifetime of financial security and, in doing so, continue to support Vermont's economic future.