

1 S.42

2 An act relating to divestment of State pension funds of investments in the
3 fossil fuel industry

4 It is hereby enacted by the General Assembly of the State of Vermont:

5 Sec. 1. PUBLIC PENSION FUNDS; FOSSIL FUELS; VERMONT

6 PENSION INVESTMENT COMMISSION; PLAN AND REPORT

7 (a) Intent.

8 (1) It is the intent of the General Assembly that the Vermont Pension
9 Investment Commission build upon its effective efforts to manage the State's
10 financial risks to climate change, including investing in low carbon indexes,
11 successfully engaging with fossil fuel and other companies, and supporting
12 initial studies and reviews on climate change.

13 (2) It is also the intent of the General Assembly that, on or before
14 December 31, 2030, the Vermont Pension Investment Commission shall,
15 consistent with sound fiduciary practice, including consideration of any
16 expected increased funding requirements for the actuarially determined
17 employer contribution (ADEC) and administrative costs, and subject to any
18 exceptions, divest the holdings of the Vermont State Employees' Retirement
19 System, the Vermont Teachers' Retirement System, and the Vermont
20 Municipal Employees' Retirement System from the fossil fuel industry.

1 (3) The General Assembly also intends that that the Vermont Pension
2 Investment Commission establish a long-term goal to divest from any private
3 investments that contain assets in the fossil fuel industry on or before
4 December 31, 2040, if the Commission determines that such divestment is
5 consistent with sound fiduciary practice.

6 (b) Definitions. As used in this section:

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

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

13 (c) Review. On or before December 15, 2023, the Vermont Pension
14 Investment Commission, in consultation with the Office of the State Treasurer,
15 shall complete a review of the carbon footprint of the holdings of the Vermont
16 State Employees’ Retirement System, the Vermont State Teachers’ Retirement
17 System, and the Vermont Municipal Employees’ Retirement System.

18 (d) Plan.

19 (1) Divestment. Except as provided in subdivision (2) of this
20 subsection, the Commission, in accordance with sound investment criteria and
21 consistent with fiduciary obligations, including consideration of any expected

1 increased funding requirements for the actuarially determined employer
2 contribution (ADEC) and administrative costs, shall develop a plan to divest
3 any holdings identified in the review described in subsection (c) of this section
4 on or before December 31, 2030. The Commission shall include in the plan
5 consideration of the State’s long-term goal of divestment from any investments
6 that are exceptions to the plan pursuant to subdivision (2) of this subsection on
7 or before December 31, 2040.

8 (2) Exceptions. Until such time as the Commission deems divestment to
9 be prudent and consistent with sound fiduciary practice, the following holdings
10 are exceptions to the plan:

11 (A) de minimis exposure of any funds held by the Commission to the
12 stocks, securities, or other obligations of any fossil fuel company or any
13 subsidiary, affiliate, or parent of any fossil fuel company; and

14 (B) private investments that contain fossil fuel company stocks,
15 securities, or other obligations of any fossil fuel company or any subsidiary,
16 affiliate, or parent of any fossil fuel company.

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

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

1 (B) a method for determining the metric of the portfolio's carbon
2 footprint that allows for an exemption of private investments for the purpose of
3 determining the de minimis exposure.

4 (e) Report.

5 (1) On or before February 15, 2024, the Commission shall submit a
6 report on the review described in subsections (c) of this section to the House
7 Committee on Government Operations and Military Affairs and the Senate
8 Committee on Government Operations and to the Joint Pension Oversight
9 Committee. The report shall include any recommendations for legislative
10 action, if necessary, to implement the divestment plan.

11 (2)(A) On or before September 1, 2024, the Commission shall submit a
12 report on the plan described in subsections (d) of this section to the House
13 Committee on Government Operations and Military Affairs and the Senate
14 Committee on Government Operations and to the Joint Pension Oversight
15 Committee. The report shall include any recommendations for legislative
16 action, if necessary, to implement the divestment plan.

17 (B) Pursuant to 2 V.S.A. § 23, with approval of the Speaker of the
18 House and the President Pro Tempore, as appropriate, the House Committee on
19 Government Operations and Military Affairs and the Senate Committee on
20 Government Operations may each meet up to one time when the General

1 Assembly is not in session to evaluate the report described in subdivision (A)
2 of this subdivision (e)(2).

3 (3) Beginning on January 15, 2025, and annually thereafter until January
4 15, 2040, the Commission shall submit a report to the House Committee on
5 Government Operations and Military Affairs, the Senate Committee on
6 Government Operations, and the Joint Pension Oversight Committee on the
7 progress of divestment described in this section. The report shall also include:

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

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

14 (4) On or before January 15, 2041, the Commission shall make a final
15 report to the House Committee on Government Operations and Military
16 Affairs and the Senate Committee on Government Operations and the Joint
17 Pension Oversight Committee regarding completion of divestment described in
18 this section.

1 Sec. 2. DIVESTMENT PLAN; VERMONT PENSION INVESTMENT
2 COMMISSION; APPROPRIATION

3 In FY 2024, the amount of \$127,000.00 is appropriated to the Vermont
4 Pension Investment Commission to establish one staff position to support
5 improvements and efficiencies in the administration of the Commission and to
6 meet the review, planning, and reporting requirements of this act. The
7 appropriation to the Commission shall be distributed from the following
8 funding sources pursuant to the allocations set forth below:

9 (1) 40.86 percent from the Vermont State Retirement Fund, established
10 in 3 V.S.A. § 473;

11 (2) 44.01 percent from the Vermont Teachers' Retirement Fund,
12 established in 16 V.S.A. § 1944; and

13 (3) 15.13 percent from the Vermont Municipal Employees' Retirement
14 Fund, established in 24 V.S.A. § 5064.

15 Sec. 3. EFFECTIVE DATE

16 This act shall take effect on passage.