

April 14, 2024

To the House Committee on Government Operations and Military Affairs.

Thank you for the invitation to comment on the proposed bill S.42. My name is Roger P Dumas. I am the state retiree's representative member on the VSERS board and have been a member for over 30 years. As the current chairman of the VSERS board, I want to clarify that said board does not have any responsibility or authority regarding the pension investments and or setting the assumed rate of return of the pension assets. Nor has the board been involved in discussing the pros and cons of S.42. Therefore, my brief comments on S.42 are my personal and general views regarding the investment of our pension assets.

VPIC was established through the wisdom of the legislature, to manage and invest the assets of the pension systems. The general fiduciary responsibility of the VPIC members, is to make as much money as possible with the least amount risk via prudent investing. This is apparently accomplished with the services of a primary consultant that oversees a broad diversification of investments and money managers.

There are three sources of funding that contribute to the pension system. First, are the active state employee's contribution rates, which the rates vary based on the group retirement plan they are in. Second, is the Tax Payers dollars allocated by legislature and the third and largest contribution, is from the investments. It should be noted that when the contributions are diminished from one of the three sources, the funding liability shifts to the other two sources. When the ADEC is calculated, it is recommended to the Governor and the legislature to fund their portion of the pension system with tax payer's dollars. The amount of the ADEC is largely dependent on the return of the investments.

With the above understanding, it would appear that limiting the investment options through the application of divestiture, would seem counterproductive to the VPIC objective of making as much money as possible. Currently the investments are restricted from Berma and Tobacco related offerings. Neither has not appeared to have been diminished or eliminated as a result of that divestiture. The term divestiture, continues to grow as a public and political desire that creates a perception, that a mandated implementation of this restriction will help resolve the global climate concern. Its real effect is that it ultimately continues to narrow down the diversification of investment options that further limits the potential returns to be gained. It would appear that the mandate of political/legislative investing restrictions is counteractive to the significant cost of hiring professional investing consultants. Additionally, there is a measurable cost associated with S.42, that will be borne solely by the Pension Trust. There does not appear to be any General fund dollars being provided to offset the significant expense that would result from the proposed changes to said Trust.

The recommendations submitted by VPIC would appear to offer a good and fair compromise to the existing language in S.42. It seems fair to ask, that the committee consider all the positive alternatives to divestiture and apply the legislative process by compromising.

Thank you for your attention to this important matter.

Roger P Dumas

VSERS Chairman