

1 TO THE HONORABLE SENATE:

2 The Committee on Government Operations to which was referred Senate
3 Bill No. 42 entitled “An act relating to divestment of State pension funds of
4 investments in the fossil fuel industry” respectfully reports that it has
5 considered the same and recommends that the bill be amended by striking out
6 all after the enacting clause and inserting in lieu thereof the following:

7 Sec. 1. PUBLIC PENSION FUNDS; FOSSIL FUELS; VERMONT
8 PENSION INVESTMENT COMMISSION; PLAN AND
9 REPORT

10 (a) Intent. It is the intent of the General Assembly that, on or before
11 December 31, 2030, the Vermont Pension Investment Commission, consistent
12 with sound fiduciary practice and subject to any exceptions, divest the holdings
13 of the Vermont State Employees’ Retirement System, the Vermont Teachers’
14 Retirement System, and the Vermont Municipal Employees’ Retirement
15 System from the fossil fuel industry. It is also the intent of the General
16 Assembly that the Vermont Pension Investment Commission establish a long-
17 term goal to divest from any private investments that contain assets in the
18 fossil fuel industry on or before December 31, 2040, if the Commission
19 determines that such divestment is consistent with sound fiduciary practice.

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

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

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

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

12 (d) Plan.

13 (1) Divestment. Except as provided in subdivision (2) of this
14 subsection, the Commission, in accordance with sound investment criteria and
15 consistent with fiduciary obligations, shall develop a plan to divest any
16 holdings identified in the review described in subsection (c) of this section on
17 or before December 31, 2030. The Commission shall include in the plan
18 consideration of the State’s long-term goal of divestment from any investments
19 that are exempt from the plan pursuant to subdivision (2) of this subsection on
20 or before December 31, 2040.

1 (2) Exemptions. Until such time as the Commission deems divestment
2 to be prudent and consistent with sound fiduciary practice, the following
3 holdings are exempt from the plan:

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

7 (B) private investments that contain fossil fuel company stocks,
8 securities, or other obligations of any fossil fuel company or any subsidiary,
9 affiliate, or parent of any fossil fuel company.

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

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

13 (B) a method for determining the metric of the portfolio’s carbon
14 footprint that allows for an exemption of private investments for the purpose of
15 determining the de minimis exposure.

16 (e) Report.

17 (1) On or before February 15, 2024, the Commission shall submit a
18 report on the review described in subsections (c) of this section to the House
19 Committee on Government Operations and Military Affairs and the Senate
20 Committee on Government Operations and to the Joint Pension Oversight

1 Committee. The report shall include any recommendations for legislative
2 action, if necessary, to implement the divestment plan.

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

9 (B) Pursuant to 2 V.S.A. § 23, with approval of the Speaker of the
10 House and the President Pro Tempore, as appropriate, the House Committee on
11 Government Operations and Military Affairs and the Senate Committee on
12 Government Operations may each meet up to one time when the General
13 Assembly is not in session to evaluate the report described in subdivision (A)
14 of this subdivision (e)(2).

15 (3) Beginning on January 15, 2025, and annually thereafter until January
16 15, 2040, the Commission shall submit a report to the House Committee on
17 Government Operations and Military Affairs, the Senate Committee on
18 Government Operations, and the Joint Pension Oversight Committee on the
19 progress of divestment described in this section. The report shall also include:

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

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

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

12 Sec. 2. DIVESTMENT PLAN; VERMONT PENSION INVESTMENT
13 COMMISSION; APPROPRIATION

14 In FY 2024, the amount of:

15 (1) \$100,000.00 in general funds is appropriated to the Vermont Pension
16 Investment Commission to conduct the review and develop the plan described
17 in Sec. 1 of this act.

18 (2) \$127,000.00 is appropriated to the Vermont Pension Investment
19 Commission to establish one staff position to support improvements and
20 efficiencies in the administration of the Commission and to meet the review,
21 planning, and reporting requirements of this act. The appropriation to the

1 Commission shall be distributed from the following funding sources pursuant
2 to the allocations set forth below:

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

5 (B) 44.01 percent from the Vermont Teachers' Retirement Fund,
6 established in 16 V.S.A. § 1944; and

7 (C) 15.13 percent from the Vermont Municipal Employees'
8 Retirement Fund, established in 24 V.S.A. § 5064.

9 Sec. 3. EFFECTIVE DATE

10 This act shall take effect on passage.

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18 (Committee vote: _____)

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Senator _____

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FOR THE COMMITTEE