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S.72

Introduced by Senators Perchlik, Clarkson, Cummings, Gulick, Harrison,
Major, Vyhovsky, Watson and White

Referred to Committee on

Date:

Subject: State Treasurer; Vermont Pension Investment Commission;

investment and oversight of retirement systems' assets; fossil fuel
divestment

Statement of purpose of bill as introduced: This bill proposes to require the
Vermont Pension Investment Commission to (1) on or before December 15,
2025, review the carbon footprint of the holdings of the Vermont State
Employees' Retirement System, the State Teachers' Retirement System, and
the Municipal Employees' Retirement System, and (2) develop a plan to divest
the holdings of the Vermont State Employees' Retirement System, the State
Teachers' Retirement System, and the Municipal Employees' Retirement
System from the fossil fuel industry by December 31, 2030 with further
divestment from any private investments that contain assets in the fossil fuel
industry by December 31, 2040.

19 An act relating to divestment of State pension funds of investments in the
20 fossil fuel industry

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

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

3 PENSION INVESTMENT COMMISSION; PLAN AND REPORT

4 (a) Intent.

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

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

18 (3) The General Assembly also intends that the Vermont Pension
19 Investment Commission establish a long-term goal to divest from any private
20 investments that contain assets in the fossil fuel industry on or before

1 December 31, 2040, if the Commission determines that such divestment is
2 consistent with sound fiduciary practice.

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

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

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

10 (c) Review. On or before December 15, 2025, the Vermont Pension
11 Investment Commission, in consultation with the Office of the State Treasurer,
12 shall complete a review of the carbon footprint of the holdings of the Vermont
13 State Employees’ Retirement System, the Vermont State Teachers’ Retirement
14 System, and the Vermont Municipal Employees’ Retirement System.

15 (d) Plan.

16 (1) Divestment. Except as provided in subdivision (2) of this
17 subsection, the Commission, in accordance with sound investment criteria and
18 consistent with fiduciary obligations, including consideration of any expected
19 increased funding requirements for the actuarially determined employer
20 contribution (ADEC) and administrative costs, shall develop a plan to divest
21 any holdings identified in the review described in subsection (c) of this section

1 on or before December 31, 2030. The Commission shall include in the plan
2 consideration of the State’s long-term goal of divestment from any investments
3 that are exceptions to the plan pursuant to subdivision (2) of this subsection on
4 or before December 31, 2040.

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

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

11 (B) private investments that contain fossil fuel company stocks,
12 securities, or other obligations of any fossil fuel company or any subsidiary,
13 affiliate, or parent of any fossil fuel company.

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

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

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

1 (e) Report.

2 (1) On or before February 15, 2026, the Commission shall submit a
3 report on the review described in subsection (c) of this section to the House
4 Committee on Government Operations and Military Affairs and the Senate
5 Committee on Government Operations and to the Joint Public Pension
6 Oversight Committee. The report shall include any recommendations for
7 legislative action, if necessary, to implement the divestment plan.

8 (2)(A) On or before September 1, 2026, the Commission shall submit a
9 report on the plan described in subsection (d) of this section to the House
10 Committee on Government Operations and Military Affairs and the Senate
11 Committee on Government Operations and to the Joint Public Pension
12 Oversight Committee. The report shall include any recommendations for
13 legislative action, if necessary, to implement the divestment plan.

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

20 (3) Beginning on January 15, 2027, and annually thereafter until January
21 15, 2040, the Commission shall submit a report to the House Committee on

1 Government Operations and Military Affairs, the Senate Committee on
2 Government Operations, and the Joint Public Pension Oversight Committee on
3 the progress of divestment described in this section. The report shall also
4 include:

5 (A) an update on the composition and percentage of exposure of any
6 investments exempt from the divestment plan pursuant to subdivision (d)(2) of
7 this section; and

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

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

16 Sec. 2. DIVESTMENT PLAN; VERMONT PENSION INVESTMENT
17 COMMISSION; APPROPRIATION

18 In FY 2026, the amount of \$127,000.00 is appropriated to the Vermont
19 Pension Investment Commission to establish one staff position to support
20 improvements and efficiencies in the administration of the Commission and to
21 meet the review, planning, and reporting requirements of this act. The

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

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

5 (2) 44.01 percent from the Vermont Teachers' Retirement Fund,
6 established in 16 V.S.A. § 1944; and

7 (3) 15.13 percent from the Vermont Municipal Retirement Fund,
8 established in 24 V.S.A. § 5064.

9 Sec. 3. EFFECTIVE DATE

10 This act shall take effect on passage.