News and Analysis

News | **Pension Plans**

NYC police pension not on board with city’s fossil fuel divestment plan

One of the city's five pension systems voted in support of divestment, one tabled the idea for a lack of support, and three have yet to vote

Dietrich Knauth | 29 Jan 2018

The **New York City Police Pension Fund**, one of the five city pension plans overseen by the Comptroller’s Office, voted down a proposal to divest the city’s pension funds from companies that own fossil fuel reserves.

Mayor **Bill De Blasio** and Comptroller **Scott Stringer** announced the divestment proposal earlier this month, saying that the $189bn **New York City Pension Funds** should divest from companies that own fossil fuel reserves in the next five years, and would become the first major U.S. pension plan to do so (***MMR*, 1/10/2018**). The city’s five pension funds hold roughly $5bn in the securities of 194 fossil fuel companies. The comptroller introduced a resolution to begin the process at the common investment meeting last week, starting with a broad request for information from experts, stakeholders, industry, and members of the public and following with a request for proposals for a consultant to study divestment and guide the pension funds’ efforts.

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One of the pension funds, the $63.2bn **New York City Employees Retirement System** has passed the resolution thus far, and the plan also has majority support from the **Teachers Retirement System** and the **Board of Education Retirement System**, which will vote soon. But the $39.8bn **New York City Police Pension Fund** did not sign on to the divestment effort, with one trustee saying that he felt that the board was being pressured to go along with a plan that was formed without its input.

"I don't know what the sudden urge to do this was," said trustee **Joseph Alejandro**, representing the Patrolmen's Benevolent Association. "I see that a lot of work was done without us being involved in the very beginning of it…. I don't think we need another resolution with another undefined process being pushed by someone who may or may not be here four, five years from now."

The resolution did not pass when put to a vote at the police pension fund's January 25 meeting, ending in a 6-6 tie. The resolution was opposed by trustees representing the Detectives' Endowment Association, Captains' Endowment Association, Sergeants Benevolent Association and Lieutenants Benevolent Association, and was supported by trustees representing the mayor, comptroller, police commissioner, and commissioner of finance.

Alejandro also said that the police pension fund already had had success engaging "so-called bad actors" on fossil fuel emissions through proxy actions, and noted that the board would be giving up that voice if it decided to divest. Further, the board had not even formally incorporated climate change into its investment beliefs or policy, making the divestment move seem premature, he added.

Before the vote, the city retirement systems received a presentation on climate change strategy from **Mercer Consulting**, and trustees expressed interested a wide range of options, from divestment to putting more money into sustainable technology investments.

Mercer made several recommendations for the funds, starting with developing one or more core investment beliefs on climate change and incorporating that into the funds' investment policies. Mercer also made

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several more detailed process and portfolio recommendations, including studying fossil fuel divestment, moving a portion of existing market-cap-weighted passive equity towards ESG or a low-carbon alternative, setting a target allocation of 1% to sustainability-themed investments, and integrating sustainability into manager selection and monitoring efforts.

When asked whether the pension funds do more than simply "cajoling" the companies that contribute most to carbon emissions and global warming, Mercer's **Jane Ambachtsheer** said that they could. One way would be to invest more in sustainability solutions, beyond the 1% target allocation that Mercer had just recommended.

"You could allocate money to new technology solutions, sustainable infrastructure deployment in emerging markets where it's incredibly needed," Ambachtsheer said. "There's a lot more that you could do. We've tried to position our recommendations to have some of that stretch, and some of that future maker perspective, but also be really grounded also about what's achievable given the nature of your current portfolio, staffing, et cetera."

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Investor Profile

New York City Police Retirement System (PPF)

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