

News and Analysis

Investors | Pension Plans

NYC pension funds seek advice on hiring a consultant for fossil fuel divestment

Three of the city's pension funds, with \$141.5bn in assets, are moving forward with divestment planning, while two are not.

Dietrich Knauth | 20 Apr 2018

Three New York City pension funds, with \$141.5bn in assets, have issued a request for information seeking advice on how to begin divestment from companies that own fossil fuel reserves.

The divestment plan, announced by the Mayor and Comptroller's Office in January, would make the city pensions the first major U.S. pension plan to divest from fossil fuels (**MMR, 1/10/2018**). But not all of the pension plans are on board - the **Police Pension Fund** and the **Fire Department Pension Fund**, which control about \$52bn in assets, or 27% of the city's \$193bn in pension assets, have declined to sign onto the divestment initiative. But even without the support of the Police and Fire pension funds, the **Teachers Retirement System, New York City Employees Retirement System** and **Board of Education Retirement System** are moving ahead with a plan to divest from fossil fuel companies within five years.

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The three pension systems took a major step toward that goal Thursday, issuing a request for information that will shape a future search for a consultant to guide the pension plans through divestment. The city seeks input from consultants interested in the work, as well as a wide range of stakeholders, experts, and members of the public.

City Comptroller **Scott Stringer**, who serves as custodian of assets and the delegated investment advisor to the pension funds, as well as being a trustee to TRS and NYCERS, thanked Mayor **Bill De Blasio** for his support and said that divestment would support a “healthy retirement – and a healthy earth” for city workers and retirees.

“We know that the future is with big ideas in clean energy, not with big polluters, and we believe that a green economy is a thriving economy,” Stringer said in a statement. “Today’s historic action reflects our commitment to growing our funds for pension fund beneficiaries and protecting our planet.”

Responses to the RFI are due June 1, and the pension funds have not announced a timeline for the planned request for proposals that would actually lead them to hire a divestment consultant.

The divestment consultant would help the city pension plans craft a strategy for divestment, or a partial divestment, within five years, while still meeting the plans’ fiduciary duties and investment objectives, according to the RFI. The consultant will also address investment risks posed by fossil fuel reserve owners; the impacts of different approaches to divestment on the risk, return and diversification of the systems’ investments; identifying companies that should be considered for divestment; developing an appropriate timetable for divestment; and identifying alternative investments with similar characteristics that can replace the divested assets.

The New York City funds want to hear from a wide variety of stakeholders at the RFI stage, including investment, finance, business, legal, scientific and environmental policy communities. The RFI will shape the pension

funds' questions and criteria for an eventual RFP, and prove them with an overview of the types of investment analysis services available in the marketplace.

"Responses to this RFI are welcome from a variety of fields and backgrounds, including from persons and organizations that do not expect to respond to an RFP," the RFI said. "Although the Systems will be reviewing a full range of options to address carbon risk in their portfolios, this RFI is soliciting perspectives on how to approach potential prudent divestment strategies."

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