

# STATE OF NEW YORK

899

2023-2024 Regular Sessions

## IN SENATE

January 9, 2023

Introduced by Sens. BRISPORT, ADDABBO, BAILEY, BROUK, CLEARE, COMRIE, COONEY, GIANARIS, HARCKHAM, HINCHEY, HOYLMAN, JACKSON, KRUEGER, MAY, MAYER, MYRIE, PARKER, RAMOS, RIVERA, SALAZAR, SANDERS, SEPULVEDA, SERRANO, SKOUFIS -- read twice and ordered printed, and when printed to be committed to the Committee on Civil Service and Pensions

AN ACT to amend the education law, in relation to requiring the New York state teachers' retirement system to divest the retirement system of any investments in corporations or companies included on an exclusion list of coal producers and oil and gas producers

The People of the State of New York, represented in Senate and Assembly, do enact as follows:

1 Section 1. This act shall be known and may be cited as the "teachers'  
2 fossil fuel divestment act".  
3 § 2. Legislative findings. 1. a. Climate change is a real and serious  
4 threat to the health, welfare, and prosperity of all New Yorkers, now  
5 and in the future. Maintaining the status quo of fossil fuel energy  
6 production will lead to catastrophic results.  
7 b. In July 2019, New York state passed the climate leadership and  
8 community protection act and committed to reducing statewide greenhouse  
9 gas emissions by eighty-five percent by 2050 and net zero emissions in  
10 all sectors of the economy. Other cities and states have chosen to  
11 pursue similar paths to reduce greenhouse gas emissions.  
12 c. The threat of climate change, and the transformation of the global  
13 energy system that will be necessary to mitigate it, will have a serious  
14 negative impact on investors whose assets are not aligned with the goal  
15 of keeping the global average temperature increase below 1.5 degrees  
16 Celsius, as determined by the United Nations Intergovernmental Panel on  
17 Climate Change.  
18 d. There are no existing legal or fiduciary duties that require New  
19 York state's pension funds to invest in energy sources that are harmful  
20 to the environment, or in contradiction to the goals of the climate

EXPLANATION--Matter in italics (underscored) is new; matter in brackets [-] is old law to be omitted.

LBD03486-01-3

1 leadership and community protection act. Rather, there are alternative  
2 investments that are available to our pension funds that do not present  
3 such harms.

4 e. Many cities and states have recognized the harmful effects of  
5 pension and investment funds investing in fossil fuels and have commit-  
6 ted to divesting those funds. Over 1,100 institutional investors repres-  
7 enting more than \$11 trillion in holdings have chosen to pursue full or  
8 partial divestment from fossil fuel producers, including the New York  
9 city employees retirement system, the endowment and pension funds of the  
10 University of California system, and the sovereign wealth funds of  
11 Norway and Ireland.

12 2. a. Continued investment in fossil fuel producers poses unacceptable  
13 risks to the people of the state of New York, as well as the long-term  
14 sustainability of the New York state teachers' retirement system.

15 b. Investment in dangerous and harmful fossil fuels is not mandated by  
16 law. The New York state common retirement fund, consistent with its  
17 fiduciary duties, has committed to complete reviews of all fossil fuel  
18 investments by 2025 and to divest from companies that fail to meet mini-  
19 mum standards. It has also set a precedent by choosing to divest from  
20 certain industries in the past due to the moral implications of their  
21 business models, including private prisons, firearms manufacturers, and  
22 companies doing business with Sudan, all while complying with the comp-  
23 troller's fiduciary obligations.

24 c. New York owes duties to its residents, and the New York state  
25 teachers' retirement system owes duties to future beneficiaries. These  
26 duties can and should reasonably include considerations of human inter-  
27 ests, quality of life, public safety and security, and ultimately  
28 require a shift away from fossil fuels to help mitigate the future  
29 adverse effects of climate change.

30 d. According to the U.S. Department of Labor's interpretive bulletin  
31 2015-1, environmental issues "may have a direct relationship to the  
32 economic value of the plan's investment, and are not merely collateral  
33 considerations or tie-breakers, but rather are proper components of the  
34 fiduciary's primary analysis of the economic merits of competing invest-  
35 ment choices."

36 e. Attempting to profit from investments in companies whose business  
37 models, public relations campaigns, and lobbying efforts not only fail  
38 to comply with New York's statutory climate goals, but also put the  
39 stability of our society and the safety of our citizens at risk, is  
40 neither morally acceptable nor in compliance with the legislature's  
41 responsibility to protect the financial security of current and future  
42 pension beneficiaries.

43 f. Currently, the majority of fossil fuel producers are not adjusting  
44 their business models to take into account the changing energy market,  
45 investing billions of dollars in exploring and extracting new reserves,  
46 creating stranded asset risk and the potential for rapid, unexpected,  
47 and significant loss of value.

48 g. Attempting to beat the market by holding these investments until  
49 the last possible moment is a high-risk strategy that could result in  
50 the loss of investment principal. In the words of the decarbonization  
51 advisory panel for the New York state common retirement fund, "being too  
52 early in the avoidance of the risk of permanent loss is much less of a  
53 danger than being too late."

54 h. In addition to the risks regarding retirement security, continued  
55 investment in the fossil fuel industry is counterproductive to the goals  
56 set forth in the climate leadership and community protection act.

1 § 3. The education law is amended by adding a new section 508-b to  
2 read as follows:

3 § 508-b. Fossil fuel divestment. 1. Definitions. As used in this  
4 section:

5 a. "coal producer" means any corporation or company, or any subsidiary  
6 or parent of any corporation or company or partnership or other legal  
7 entity, that derives at least ten percent of annual revenue from thermal  
8 coal production, or accounts for more than one percent of global  
9 production of thermal coal, or whose reported coal reserves contain more  
10 than 0.3 gigatons of potential carbon dioxide emissions;

11 b. "exclusion list" means the list created pursuant to paragraph a of  
12 subdivision two of this section;

13 c. "oil and gas producer" means any corporation or company, or any  
14 subsidiary or parent of any corporation or company or partnership or  
15 other legal entity, that derives at least twenty percent of annual  
16 revenue from oil or gas production, or accounts for more than one  
17 percent of global oil or gas production, or whose reported combined oil  
18 and gas reserves contain more than 0.1 gigatons of potential carbon  
19 dioxide emissions;

20 d. "oil or gas production" means exploration, extraction, drilling,  
21 production, refining, processing, or distribution activities related to  
22 oil or gas;

23 e. "thermal coal production" means mining, transport, processing, or  
24 exploration activities related to thermal coal;

25 f. "oil and gas equipment, services, transportation and storage" means  
26 services, transportation or storage activities related to oil and gas;  
27 and

28 g. "index fund" means a passive investment strategy that tracks a  
29 market index.

30 2. Fossil fuel company exclusion list. a. Within six months of the  
31 effective date of this section, the retirement board shall create an  
32 exclusion list of all coal producers and oil and gas producers in whose  
33 stocks, securities, equities, fixed income, assets, or other obligations  
34 the retirement system has any monies or assets directly invested.

35 b. Upon completion of the exclusion list, it shall be made publicly  
36 available and a copy shall be sent to the temporary president of the  
37 senate and the speaker of the assembly.

38 c. The retirement board shall submit notification to any corporation  
39 or company that has been included in the exclusion list informing them  
40 of their inclusion on such list, as well as the requirements of this  
41 section.

42 d. At the retirement board's discretion, but no later than two years  
43 after the completion of the exclusion list, and no less frequently than  
44 biennially thereafter, the retirement board shall update the exclusion  
45 list to remove any corporation or company that is no longer a coal  
46 producer or an oil and gas producer and add any corporation or company  
47 necessary to comply with paragraph a of this subdivision.

48 3. Removal from the exclusion list. a. At any time following the  
49 publication of the exclusion list, any corporation or company included  
50 in the list may submit to the retirement board a request for removal on  
51 the basis of clear and convincing evidence that they are not currently a  
52 coal producer or an oil and gas producer as defined in subdivision one  
53 of this section.

54 b. Upon satisfaction that a corporation or company has met the  
55 requirements of paragraph a of this subdivision, the retirement board  
56 shall remove such corporation or company from the exclusion list and

1 provide a written explanation for such removal to the temporary presi-  
2 dent of the senate and the speaker of the assembly.

3 4. Compliance with fiduciary duties. a. Nothing in this section shall  
4 require a board to take action as described in this section unless the  
5 board determines in good faith that the action described in this section  
6 is consistent with the fiduciary responsibilities of the board under the  
7 New York state constitution. Any new investments must comply with the  
8 fiduciary obligations and the prudent investor rule as defined by  
9 section 11-2.3 of the estates, powers and trusts law.

10 b. No private right of action shall be available against the retire-  
11 ment system, any of its employees, or any present, future, and former  
12 board member of the retirement system for divesting retirement system  
13 assets pursuant to this section in good faith.

14 c. No private right of action shall be available against the state  
15 pursuant to this section.

16 5. Divestment. a. Commencing one year after the effective date of this  
17 section, and in accordance with sound investment criteria and consistent  
18 with its fiduciary obligations, the retirement board and any investment  
19 managers under contract with the retirement system shall: (i) divest the  
20 retirement system of any stocks, securities, equities, assets, or other  
21 obligations of corporations or companies on the exclusion list in which  
22 any monies or assets of the retirement system are invested; and (ii)  
23 cease new investments of any monies or assets of the retirement system  
24 in any stocks, securities, or other obligations of any corporation or  
25 company that is a coal producer or oil and gas producer as defined here-  
26 in.

27 b. Divestment from oil and gas producers pursuant to this subdivision  
28 shall be completed no later than two years from the effective date of  
29 this section. Divestment from oil and gas producers returned to the  
30 exclusion list pursuant to paragraph c of subdivision four of this  
31 section shall be completed no later than two years from the date of  
32 return to the exclusion list.

33 c. Divestment from coal producers pursuant to this subdivision shall  
34 be completed no later than one year from the effective date of this  
35 section. Divestment from coal producers returned to the exclusion list  
36 pursuant to paragraph c of subdivision two of this section shall be  
37 completed no later than one year from the date of return to the exclu-  
38 sion list.

39 d. Divestment from private equity and private debt investments pursu-  
40 ant to this subdivision shall occur expeditiously in a good faith  
41 attempt to comply with the provisions of paragraphs b and c of this  
42 subdivision, but no later than five years from the effective date of  
43 this section.

44 e. The retirement system shall have the discretion to divest from any  
45 other entities that it in good faith believes are directly or indirectly  
46 financing oil and gas producers, or coal producers, regardless of wheth-  
47 er such entity otherwise meets the criteria of this subdivision.

48 6. Limitations on indirect investment. Notwithstanding any provisions  
49 in this section to the contrary, and in accordance with sound investment  
50 criteria and consistent with its fiduciary obligations, the retirement  
51 board shall be permitted to invest in index funds if the board is satis-  
52 fied on reasonable grounds and in good faith that such indirect invest-  
53 ment vehicle does not have in excess of one percent of its assets, aver-  
54 aged annually, directly or indirectly invested in coal producers and oil  
55 and gas producers.

1 7. Reporting. a. Commencing one year after the effective date of this  
2 section and annually thereafter the retirement board shall issue a  
3 report to the temporary president of the senate and the speaker of the  
4 assembly and shall make such report publicly available, outlining all  
5 actions taken to comply with this section.

6 b. To the extent that the retirement system has remaining private  
7 equity or private debt investments in any oil and gas producers, or coal  
8 producers, the retirement board shall prominently make note of such  
9 investments and all attempts that have been made to expeditiously  
10 complete its divestment obligations to date. The board shall provide  
11 public notice of this annual report and an opportunity for public  
12 comment on the retirement system's divestments pursuant to this act of  
13 at least sixty days.

14 § 4. This act shall take effect immediately.