



DIVESTMENT IN VERMONT: WHAT YOU NEED TO KNOW

Governor Peter Shumlin recently called for state pension funds to divest from coal and certain fossil fuel companies. But did you know that divesting would cost Vermont millions of dollars a year? Here are some things to keep in mind about Gov. Shumlin's ill-advised proposal:



THE COST TO VERMONT PENSIONS

Vermont State Treasurer Beth Pearce says divestment will cost state pensioners about **\$9 million** a year in lost financial returns.

In addition, the state pension would pay **\$8.5 million** in implementation fees according to the Vermont Pension Investment Committee.

\$9m

in lost financial returns

\$8.5m

paid in implementation fees

FIDUCIARY RESPONSIBILITY

Lost returns and increased incurred costs would put Vermont at odds with the "**Exclusive Benefit Rule**" which requires trustees to act for the exclusive benefit of beneficiaries.

Pension funds exist to provide income to Vermont's approximately **49,000 beneficiaries** during retirement. If those funds are divested from certain segments of the economy and experience chronically lower returns, **pension recipients will be the ones who suffer.**



“

From our end, legislating investments is bad practice... My first priority is to protect the 49,000 active, vested and retired members of the system, the beneficiaries, and the taxpayers who put dollars into that system. For me, I don't think that is the best approach.

”

Beth Pearce
(D) Vermont State Treasurer

AN EMPTY GESTURE WITH NO IMPACT ON CLIMATE CHANGE

Despite its high costs, divestment of fossil fuel companies **will do nothing to address climate change** which makes this a purely political activity.

As Treasurer Beth Pearce has pointed out, **selling stocks simply puts assets back on the market**, making them available for others to buy.

Divesting of these assets also eliminates the opportunity for **shareholder advocacy**.

The Vermont Pension Investment Committee **has rejected similar divestment proposals three different times** in the last two years.



**NO!
DIVESTMENT!**

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Gov. Shumlin was not always pro-divestment, saying in 2014:

There's been a discussion in Vermont about divestiture, and what I have said, in concert with [state Treasurer] Beth Pearce, is that we believe that having a seat at the table — owning the stocks and having a seat at the table with the oil companies — is a good place to be.

Peter Shumlin
(D) Vermont Governor

VERMONT UNIVERSITIES ALSO SAY "NO" TO DIVESTMENT

Given its fiduciary responsibilities, the board cannot look past the lack of proven alternative investment models, the difficulty and material cost of withdrawing from a complex portfolio of investments, and the uncertainties and risks that divestment would create.

Ronald D. Liebowitz
Former Middlebury President

Our primary responsibility is to protect the endowment and my continuing fear is that this proposal would have a significant impact on the ability to balance the risks and rewards within the endowment by cutting out a substantial portion of the economy.

David Daigle
University of Vermont
Board of Trustees Member

VERMONT'S PENSIONS ARE REJECTING DIVESTMENT

Vermont's top pensions and trade organizations are issuing resolutions calling for sole responsibility of investing decisions. These groups represent state employees and Vermont retirees, and include:

- Vermont Pension Investment Committee (VPIC)
- Vermont Troopers' Association
- Vermont Retired State Employees Association (VRSEA)
- Vermont League of Cities and Towns
- Vermont State Employees Association (VSEA)

... support that the responsibility to make **prudent investment decisions in accordance with appropriate statutory and fiduciary requirements, continue to be vested in the Vermont Pension Investment Committee** and not the legislature or any other entity."

- Signed by Cornelius Reed,
President, VRSEA, Inc.



INDEPENDENT ACADEMIC RESEARCH SHOWS THE HIGH COST OF DIVESTMENT

Two separate studies have shown the true cost of divestment for universities in dollar terms:

1. University of Chicago's Prof. Daniel Fischel found that in a 50-year period, **portfolios without energy investments would have lost roughly:**

0.7%
ANNUALLY

Every bit of economic and quantitative evidence available to us today shows that the only entities punished under a fossil-fuel divestment regime are the schools actually doing the divesting—with virtually no discernible impact on the targeted companies. Students and universities may nevertheless wish to make a symbolic or political statement, but they should know it will come at a high price. Talk is cheap, but divestiture is not.

Prof. Daniel Fischel
University of Chicago Law School

UNIVERSITIES WOULD COLLECTIVELY LOSE:

\$3.2 BILLION
EACH YEAR IF DIVESTED

2. Caltech's Prof. Brad Cornell analyzed the endowments of several leading universities and found if they divested, **each would lose:**

Harvard University
\$108 MILLION
ANNUALLY

Yale University
\$51 MILLION
ANNUALLY

MIT
\$18 MILLION
ANNUALLY

Columbia University
\$14 MILLION
ANNUALLY

New York University
\$4.1 MILLION
ANNUALLY

