



A new study by Prof. Daniel Fischel of the University of Chicago Law School, along with co-authors Christopher Fiore and Todd Kendall of Compass Lexecon, finds that divestment could mean shortfalls of trillions of dollars for New York's pension fund.

The study examined both a narrow approach in which the New York State Common Retirement Fund divested from oil, natural gas, and coal, as well as a broader approach that also included utilities.

### FISCHEL'S FINDINGS

#### KEY FACTS:

- Divestment would hurt the **over 1 million members, retirees and beneficiaries** that rely on the fund for their retirement.
- Fossil fuel divestment would lead to returns **0.16% - 0.23% lower annually**.
- This means losses of **\$136 million annually in the narrow divestment approach**, and **\$198 million annually in the broader divestment approach**.
- Extend to 50 years, and the cost of divestment adds up to **more than \$1 trillion in losses**.

### ABOUT PROF. FISCHEL



**Professor of Law and Business**  
Emeritus, Univ. of Chicago Law School

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**Fmr. Dean**, Univ. of Chicago Law School

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**Chairman and President**,  
Compass Lexecon, a top-rated economic consulting firm

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**Fmr. Professor**, Northwestern Univ. Law School

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**Supreme Court clerk** for Justice Potter Stewart

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**Author of two books** on economics and corporate law

### What New York has to lose by divesting

Annual:

**\$136 - \$198 million**

Over 50-year timeframe:

**\$1.1 - \$1.5 trillion**



To make up for funding shortfalls, pensions need to either:



Cut payments to pensioners



Seek taxpayer bailouts



These losses are equivalent to eliminating average annual benefits for

# over 8,500 retirees

of the Employee's Retirement System.



"My fiduciary duty requires me to focus on the long-term value of the Fund. To achieve that objective the Fund works to maximize returns and minimize risks. Key to accomplishing this objective is diversifying the Fund's investments across sectors and asset classes including the energy sector."

– Tom DiNapoli,  
New York State Comptroller

"Divestment is indiscriminate. It preempts thoughtful fiduciary analysis to assess the impact on the Fund... Additionally, fossil fuels are meaningfully integrated into nearly every facet of the global business sector. To divest immediately would be akin to telling the world not to breathe air."

– Suffolk County Association of Municipal Employees (AME)

"Plan fiduciaries are not permitted to sacrifice investment return or take on additional investment risk as a means of using plan investments to promote collateral social policy goals."

– Field Assistance Bulletin (FAB) released on April 23, 2018



**Cornell University**



**The Business Council**

"The university's endowment must not be regarded primarily as an instrument of political or social power; its principal purpose is to provide income for the advancement of the university's educational objectives."

– Donald Opatrny '74, chair of Cornell's Investment Committee

"New York should heed the lessons learned by other fund managers who have considered similar divestitures. Pension funds all over the country have faced political pressures from activists but have rejected the policy once they see the hard numbers."

– Business Council of New York State

**FINANCIAL TIMES**

"The worst aspect of [divestment] initiatives...is that they deflect attention away from the politicians' own contribution to the problem. Fixing [transport] problems would do more to address the threat the city faces, and to improve the lives of New Yorkers, than attention-seeking stunts."

– Financial Times Editorial Board

*New York State Public Employee Conference*



"We understand that climate change is real but what is lost in this debate is that there have been no studies proving that fossil fuel divestment would make any significant progress toward addressing climate change."

– Peter Meringolo, Chairman of the New York State Public Employee Conference

"[Divestment] does not reduce the amount of capital or funding available to fossil fuel companies; rather, it simply transfers ownership of stock from one holder to another."

– NYU Board of Trustees

"[Fiduciary duty] is a legal mandate and any time a legislature wants to legislate or order him to do something that is against his fiduciary responsibility he places himself and our pension in great legal peril."

– General Counsel to the New York State Troopers and NYSPEC, Richard Mulvaney