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Pension Returns vs. Climate Harm Unions Remain Split On Fossil-Fuel Divestment

By BOBHENNELLY 17 hrs ago



GREGORY FLOYD:
'All headlines, no substance.'

An announcement by Mayor de Blasio and City Comptroller Scott Stringer in early January that the city's five pension funds would divest from fossil-fuel companies over climate change is getting pushback from key pension-board members.

Teamsters Local 237 President Gregory Floyd, a trustee of the New York City Employees' Retirement System, said in a phone interview Jan. 23 that the divestment announcement was "vintage de Blasio—all headlines, no substance, and results to be seen."

Only Agreed to a Study



JAKE LEMON:
A: Can't disregard fiduciary concerns.

He continued, "I called the Comptroller on this. All that was agreed to was a study. We are going to make this decision after the study is done and make sure whatever decision we make will be based on ESG—economic social governance.

Anybody who thinks we are just going to pull out of these



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HENRY GARRIDO : 'Divestment being done responsibly.'

stocks willy-nilly is wrong.”

Transportation Workers Union Local 100, also a stakeholder in NYCERS, took a wait-and-see stance, saying in a statement, “We look forward to a detailed proposal that we can examine from the standpoint of safeguarding against unnecessary risk the investments that help fund the pensions of transit workers and all NYCERS members.”



MICHAEL CARRUB E: Don't play politics with investments.

James Lemonda, president of the Uniformed Fire Officers Association, also sounded a cautionary note. “As fiduciaries on the pension fund, we want to act socially and economically responsible,” he said in a phone interview. “Many of these companies have performed well for our members, and the trustees will have to take a good hard look at this. It can't be done with a snap of the fingers.”

‘Not A Policy Experiment’



STU EBER: Explore profitable alternatives.

Michael Carrube, president of the Subway Surface Supervisors Association, which represents 4,000-plus subway supervisors, said, “Our pensions are and should be protected from ambitious politicians who would try to use them as policy experiments or as part of some broad political agenda that ultimately affects our members and other working families.”



es. Climate-change activists hailed the divestment announcement as a major victory in their campaign against “Big Oil.” At stake is \$5 billion in holdings in 190 fossil-fuel companies that are a relatively small part of the \$189-billion pension-fund portfolio.

In the joint statement from the Mayor and City Comptroller, they pledged that the divestment would be independently reviewed to ensure the move was taken “in a responsible way that is fully consistent” with the pension funds’ fiduciary obligations and carried out in stages “in order to reduce transaction and implementation costs.”

‘Members’ Interests First’

A former pension trustee for one of the five systems, who was not cleared to talk publicly about the pension funds’ internal workings, was concerned that the divestment proposal ran contrary to the fiduciary obligation the trustees have to “make investment decisions that produced earnings that would benefit our members.”

He continued, “We had a good process in place where underperforming funds were placed on a watch list, and if their performance didn’t improve after six months, sometimes a year, we disinvested and invested those funds and put them somewhere else. These were performance-

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based issues, not social issues.”

Another former trustee, who also wanted to remain anonymous, was concerned about the precedent that would be set. “If city pension funds are going to be used to advance righteous issues, other than returns, who decides what’s righteous? A Mayor who boasts that he was not indicted?”

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He added, “Should the funds sell off all foreign investments [in order] to spur the American economy? Investments in non-union companies? Investments in any non-New York company? How about investing in unionized companies with high profits?”

Climate Change Matters

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But other union leaders and civil-service workers with a stake in the pension system enthusiastically embraced divestment. “Many of us support the divestiture from fossil fuels in order to slow down climate change,” said Stu Eber, recording secretary for the Council of Municipal Retiree Organizations “There are plenty of other investments that are profitable, including renewable energy. The city should also phase out diesel-fuel vehicles in favor of electric vehicles, particularly the buses.”

“For the sake of future generations, we support the call by the Mayor and the Comptroller for responsible divestment from fossil fuels,” said Henry Garrido, District Council 37’s executive director and a NYCERS trustee. “It is no longer a question of if, but rather how and when. The five-year goal is sensible.”

DC 37’s headquarters in lower Manhattan sustained \$4 million in Superstorm Sandy-related damages in 2012.

Suing Oil Companies, Too

At the same time that Mr. de Blasio announced the divestment proposal, he disclosed that the city was filing a lawsuit against BP, Chevron, ConocoPhillips, ExxonMobil, and Royal Dutch Shell, the world’s five largest investor-owned fossil-fuel companies as measured by their

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contributions to global warming.

The suit seeks to recover damages, with the city alleging that since at least the 1980s, the companies “deliberately engaged in a campaign of deception and denial about global warming and its impacts, even while profiting from the sale of fossil fuels and protecting their own assets from the effects of rising seas and a changing climate.”

