MainePERS
PUBLIC EMPLOYEES RETIREMENT SYSTEM

DATE: February 24, 2021

TO: Senator Joseph Rafferty, Chair
Representative Mike Sylvester, Chair
Members, Joint Standing Committee on Labor and Housing

FROM: Sandy Matheson, Executive Director

SUBJECT: Testimony on L.D. 319 – An Act to Promote Socially Responsible Investing by the Maine Public Employees Retirement System by Prohibiting Investment in the Fossil Fuel Industry or For-profit Prisons

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Good morning, Senator Rafferty, Representative Sylvester, and members of the Joint Standing Committee on Labor and Housing. My name is Sandy Matheson, and I am the Executive Director for the Maine Public Employees Retirement System.

Thank you and the sponsors for the opportunity to speak again to socially responsible investing and public pensions. Many of these issues regularly come to our attention through discussions with stakeholders. Divestment interests can be wide-ranging. Current divestment legislation across the country right now includes fossil fuels, China, Facebook, and many other social or political interests.

One of the reasons unconditional restrictions such as these and those included in L.D. 319 run counter to fiduciary duty is that they eliminate investment opportunities based on advancing a cause, not on providing for member retirement.

Permanently striking broad portions of the financial market is incompatible with earning optimal returns for member retirements, will not change corporate behavior, and may not advance the social goals sought because investments are rarely one-dimensional. For example, Chevron or Shell are now investing in new energy technologies that protect the climate. Similarly, this bill would likely prevent our investment in future technologies such as carbon capture specifically intended to help the environment.

MainePERS already considers issues such as these within the boundaries of our duty to our members. We use our broad index fund stock ownership to voice concerns to companies on these issues. We know that our voice, along with other pension plans, makes a positive difference in corporate behavior. We would lose this important voice and tool if we remove portions of the index based on preferences.

We also hold investments in private funds. While we are limited partners and do not have control over investment decisions, we do conduct months of robust due diligence on each fund in which we consider a multitude of environmental, social and governance, or ESG, factors. And we welcome and regularly converse with stakeholders when they have concerns about one of our investments.

We oppose divestment because it is inconsistent with our fiduciary duty to members, impedes our ability to earn optimal returns and interferes with our ability to respond to changing markets and technologies. Our ESG policy already considers these factors, and we remain open to further discussions with the Committee as referenced in recent supplemental information provided to the Committee in relation to L.D. 99.