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NY Plan Set to Spur Other Institutional Investors to Action on Climate Change

By Fola Akinnibi June 14, 2019

The New York State Common Retirement Fund's (CRF) climate action plan, a framework for how the pension will address and adapt to the impacts of climate change in its portfolio, is also a guide and perhaps a challenge to other U.S. institutional investors.

CRF and New York State Comptroller **Thomas DiNapoli** describes the June plan as the latest step in the $210.2 billion pension's roadmap to integrate environmental, social and governance (ESG) factors into its investment portfolio and decision-making process. There is an outward-facing aspect to the report as well, DiNapoli says in a statement to *FundFire*.

"Climate risk is a significant threat to long term value for all investors, but along with the risk comes opportunity in the transition to a low carbon economy," DiNapoli says. "We hope that some of our initiatives inspire other investors to create their own innovative solutions for addressing the risks and opportunities presented by climate change."

Two of CRF's larger peers are taking note.

The $365.2 billion California Public Employees' Retirement System (CalPERS) applauded the New York action plan and noted that it intends to release a climate change report in line with the **Task Force on Climate-Related Financial Disclosures** (TCFD) framework. It is also required to report and analyze climate-related financial risks under a new bill, as reported.

At the $233.9 billion California State Teachers' Retirement System (CalSTRS), there are plans to look at and build on what peers like CRF are doing, in addition to the actions it is already taking, according to a spokesperson.

CalSTRS is subject to the same reporting law as CalPERS, and in May it added language in support of carbon pricing to its corporate governance principles and policies, as reported. That language spelled out CalSTRS' belief that a global carbon-pricing framework will allow it to better understand the value of its portfolio and investments.

Both CalPERS and CRF have also come out in support of carbon pricing.

U.S. institutions have begun to take note of the importance of ESG factors and understand that these issues have an impact on the value of their portfolios. Beyond that, these investors do not want to get left behind by their peers, says **Teresa Cutter**, a managing director and head of ESG and impact at **White Oak Global Advisors**, a private credit firm.

"Because of those long-term assets and the long-term sustainability risks, they are slowly but surely jumping on board," Cutter says. "U.S. pensions are very much concerned about headline risk."

DiNapoli's climate action plan, released in early June, set out a framework for CRF to deal with climate risk in its portfolio. It aims to double the CRF's $10 billion commitment to "sustainable strategies" over the next decade, and it provides a path to divestment from companies that do not respond adequately to engagement from the pension.

The plan came a few months after CRF was dealt a blow in an engagement battle with Exxon Mobil. The Securities and Exchange Commission (SEC) sided with Exxon in a shareholder resolution dispute and allowed the oil and gas giant to exclude a CRF-backed resolution that sought greenhouse gas emission disclosures and cuts in line with the Paris Climate Agreement, as reported.

In its April no-action letter, the SEC found that the resolution "micromanages" the company.

That failure points to a need for a strong climate action plan, says **Richard Brooks**, a campaigns coordinator with **350.org**.

"Given that [CRF] is one of the largest pension funds in the world and it has a long history of engaging on climate issues, we expected a lot more from this climate action plan," says Brooks. "In the case of the comptroller and the fund and their engagement on climate issues, there's even less of a track record of success."

Institutions that are serious about these risks will have concrete timelines and deadlines for implementation, unlike the climate action plan. Additionally, they will commit to divest from increasingly risky companies, Brooks says.

He points to the New York City plans, which have set a goal to divest from fossil fuel reserve owners in five years. At the very least, CRF could have committed to divesting from, rather than simply engaging with the thermal coal companies in its portfolio, many of which are already under siege, he adds.

"That's what we need to see in this day and age," says Brooks. "What we need to see is action, not studying. We all know what the coal industry is facing."

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