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60004

O. 312.377.4000
F. 312.277.4122
E. think@heartland.org

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Testimony Before the Virginia General Assembly
Senate Finance & Appropriations Committee
Regarding SB 213

Bette Grande, State Government Relations Manager
The Heartland Institute
February 10, 2022

Chairwoman Howell and Members of the Committee:

Thank you for holding a hearing on SB 213 which seeks to divest the pension funds in the Commonwealth of Virginia from fossil fuels.

My name is Bette Grande, and I am a State Government Relations Manager with The Heartland Institute. The Heartland Institute is a 37-year-old independent, national, nonprofit organization whose mission is to discover, develop, and promote free-market solutions to social and economic problems. Heartland is headquartered in Illinois and focuses on providing national, state, and local elected officials with reliable and timely research and analysis on important policy issues.

The debate over fossil fuel divestment and de-carbonization has strong and passionate voices on both sides. It is an important public policy debate, however legislation such as SB 213 has significant negative consequences that we want the Members of this Committee to be aware of as you deliberate this issue.

Importantly, fossil fuel divestment will not accomplish the goals of its supporters, it will however, have unintended consequences in harming Participants in the affected public pension plans and your taxpayers. I served in the North Dakota House of Representatives for 17 years and for much of that time I served as Chairman of the Employee Benefits Programs Committee, and I saw first-hand the challenges that face our public pension plans. Investment managers for your public pension plans have a difficult job as it is without limiting the investment options available.

SB 213 is an effort to remove investment in companies involved in the development, processing, and transportation fossil fuels and related byproducts. These large and successful companies are important to our economy and our society and will continue to play a significant role in each of our lives for generations to come. SB 213 not would only require divestment from the top 200 publicly traded fossil fuel companies, as difficult as that would be, but goes much further in subdivisions 2 through 5 under 51.1-124.41.

Removing the ability to invest in any company related to the fossil fuel sector will put additional pressure on the investment performance of your public pension plans. Public pension plans already face an uphill battle to meet the promises made to pension Participants.

Public pension plans owe Plan Participants a retirement benefit, a promise, to the extent the assets in the plan are not enough to meet that obligation your taxpayers will be responsible for meeting those pension promises. That risk to your taxpayers only increases with SB 213 by putting further, far reaching, restrictions on the investment managers.

Supporters of fossil fuel divestment point to recent actions by the U.S. Department of Labor to revise pension fiduciary standards to allow consideration of environmental, social and governance criteria, as well as, other "stakeholders", however that is defined and determined. I want to be clear that the revision of fiduciary standards only protects the plan fiduciaries, it does not protect plan Participants of the taxpayers in Virginia.

Divestment from such a large, and important, sector of our nation's economy will have significant negative impacts on plan investment performance. I urge careful consideration of the likely costs and benefits from this legislation.

The de-carbonization debate will continue, but legislative solutions should not cause more harm than any promised benefit. Pursuing specific social policy using other people's money imposes policy and political views on individuals without their consent. For these and many other reasons Heartland opposes policies that further weaken public pensions. Thank you for your time and consideration.

For more information about The Heartland Institute's work, please visit our websites at www.heartland.org or http:/heartland.org. I can be reached at bgrande@heartland.org.

Useful information can also be found at the Heartland Institute links below.

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