


FROM	NAME & TITLE	Honorable Bill Henry, Comptroller of Baltimore City	CITY of BALTIMORE MEMO	
	AGENCY NAME & ADDRESS	Office of the Comptroller, Room 204, City Hall		
	SUBJECT	21-0066 Retirement Systems - Precluded Investment and Divestment - Fossil Fuel Companies		

DATE:

TO

The Honorable President and
 Members of the City Council
 City Hall, Room 400

May 24, 2021

Position: Support

The Comptroller’s Office is offering comments 21-0066 Retirement Systems - Precluded Investment and Divestment - Fossil Fuel Companies. The purpose of this bill is to prohibit the Employees’ Retirement System, the Elected Officials Retirement System, and the Fire and Police Employees’ Retirement System (collectively, the “Retirement Systems”) from investing funds in fossil fuel companies. It would also require the divestment from certain fossil fuel companies within a certain timeframe; require certain reviews; and specify a certain procedure for the divestiture of investments.

Background

The Comptroller is an ex-officio member of each of the Retirement Systems Boards. Given the challenges involved in balancing their fiduciary responsibilities with the requirements created by this legislation, the Boards have declined to take a position on this bill. However, the Comptroller wanted to extend his individual support for the legislation, qualified by the allowances the bill contains to allow the Boards to divest their current holdings in a responsible fashion.

Climate change is an imminent threat to our communities. Cities, like Baltimore, have already begun experiencing the harmful effects of global warming through severe storms, extended heat waves, and dangerous air pollution. A reliance on fossil fuels will continue to exacerbate these weather events.

Municipal governments have the flexibility to divest from the stocks of fossil fuel companies that make money extracting coal, gas, and oil. As Baltimore’s internal operations become greener and more sustainable, the City should have an investment portfolio that reflects the same goals.

As a trustee, the Comptroller has a fiduciary responsibility to protect the assets of the Retirement Systems and takes this position very seriously Last December, chairman and CEO Larry Fink of Blackwater (the world’s largest asset manager) sent a letter to the chief executives of the world’s largest companies regarding corporate governance. In the letter, Fink wrote that investments in fossils fuels, “present a high sustainability-related risk” and asked companies to start shaving down their carbon footprint. Blackwater expanded by saying, “We also believe that climate transition creates a historic investment opportunity.”

Divestment is not just a moral cause, but a prudent financial decision. This legislation “feeds two birds with one scone,” – in diverting funds from fossil fuels, Cities can protect their financial assets as well as their residents.

Conclusion

This legislation will allow the Retirement Systems five years for implementation and offers the necessary flexibility in case of an emergency or disaster. **For the reasons stated above, the Comptroller’s Office supports the bill.**