Suffolk AME
SUFFOLK WORKS BECAUSE WE DO

FOR IMMEDIATE RELEASE

MEDIA CONTACT:
Michael Skelly 917-364-8142
michael@skellystrategicsolutions.com

DIVESTING IN FOSSIL FUELS COULD COST NEW YORK STATE PENSION SYSTEM AND TAXPAYERS MORE THAN $33.4 BILLION OVER 30 YEARS AND LEAD TO STEEP TAX HIKES, SERVICE CUTS, OR SLASHED PENSION BENEFITS

A new report commissioned by the Suffolk County Association of Municipal Employees also shows fossil fuel divestment could cost New York City Retirement System over $18.9 billion after 30 years

BOHEMIA, N.Y. (April 29, 2019) -- On the eve of hearings on a New York State Senate bill, which would force State Comptroller Thomas DiNapoli to fully divest its pension system from as much as $13 billion in fossil fuel assets within five years, an alarming new report commissioned by New York State's largest independent union, the Suffolk County Association of Municipal Employees (Suffolk AME) shows that "green energy" stocks would substantially underperform fossil fuels and result in state pension shortfalls that would require an additional contribution of up to $33.4 billion over 30 years.

The report, "The Cost of Divestment," also analyzed Mayor de Blasio's plan to divest the New York City's pension funds from $5 billion in fossil fuels assets and found that it would cost the New York City Retirement System $18.9 billion dollars over a 30-year period. Taken together, these shortfalls would require up to $33.4 billion in additional contributions to the state fund and up to $18.9 billion in extra contributions for the city's pension system. That would mean slashing pension benefits or massive cuts to vital government services or large tax hikes to make up for the shortfalls.

"The findings from this report should serve as a loud wake up call to New York's taxpayers, which includes the men and women who perform the essential government services that New Yorkers rely upon every day," said Daniel C. Levler, president of Suffolk AME. "If New Yorkers were upset about billions of dollars in tax breaks for Amazon, then they should be even more concerned with a projected state shortfall loss equaling more than ten Amazon deals."

The report does not dispute the need to find ways to fight climate change, but instead uses 10 years of data to show that selected fossil fuel funds outperformed comparable green energy stocks in that period, as well as future projections of decreased pension fund returns and heavy shortfalls.

Bradley Heinrichs, President and CEO of Foster and Foster, whose firm conducted an independent actuarial analysis for the report said, "We took a deep dive into the numbers in this paper and quantified the financial impact of divestment on the City and State's pension plans, as well as to the individual taxpayers. If the future mirrors the last ten years, divestment will be extremely expensive to all parties."

The report comes a day before the Standing Committee on Finance, chaired by Sen. Liz Krueger, holds invitation-only hearings on a proposed law requiring the state's $207.8 billion Common Retirement Fund to divest from fossil fuels within five years. Citing recent returns and various studies, Krueger and environmental activists say clean energy stocks outperform fossil fuels.

The report took issue with that. "Rather than rely on just two or three years of data, we reviewed ten years of annual returns for five fossil fuel funds and five green energy funds," the report states. "While green tech advocates may be able to cherry pick individual years when green energy has recently outperformed fossil fuels, the long view shows the opposite; over a ten-year period, observed fossil fuel funds together had an average return of 2.6%, while observed green energy funds had an average return of - 3.94%, or a difference of 6.54%."

The report also noted that pension funds are required by law to pay out "formula-based" benefits regardless of how the investments perform – meaning higher taxes to fund additional contributions or cuts to vital services like public safety and education. State Comptroller Thomas DiNapoli, who oversees the pension fund, has resisted calls to totally divest from fossil fuels, and a state advisory panel on climate change did not recommend divesting from specific stocks.

"The possibility of the enormous tax hikes or severe budget cuts mentioned in this report will affect every hard-working public employee across the state -- and general public as a whole," said Patrick Cullen, president of the New York State Supreme Court Officers Association. "We all want to reverse the effects of climate change, but forcing the pension fund to divestment from fossil fuels is not the way to go about it."

The new report said the impact would be felt across the state and chose three localities, Erie County, New York City, and Suffolk County on Long Island, to showcase the types of cuts and changes divestment would force on local communities and their budgets.

In Suffolk County, the cost of divesting $13 billion in fossil fuel assets and moving those assets into green energy would amount to an annual 2.69% cut to Suffolk County Budget areas across the board. In FY 2019, that would mean cutting $19.45 million from public safety, $4.06 million from education, and $2.28 million from transportation.

In Erie County, the cost of divesting $13 billion in fossil fuel assets and moving them into green energy would amount to an annual 3.49% cut to Erie County Budget areas across the board. In FY 2019, that would mean cutting $1.08 million from the county police, $871,820 from mass transit, and $99,144 from homeland security and emergency services.

"If divesting means taking millions from law enforcement, we will be forced to make the difficult decision of reducing the number of police officers or depriving them of much-needed resources to fight crime and stamp out the scourge of drugs sweeping across our state," said Thomas Mungeer, president of the New York State Troopers PBA. "That is a misguided policy."

Divestment would have a particularly harsh impact on taxpayers in New York City, "where the state divests $13 billion from fossil fuels, the resulting cost to the public – $33.41 billion in additional contributions after 30 years – would dwarf the Amazon subsidies package by more than ten times." Amazon's move was predicted to create up to 40,000 jobs; divestment would create no jobs.

Michael Carrube, president of the Subway Surface Supervisors Association, which represents 4,000-plus Subway and Bus Supervisors, whose members are part of the New York City Employees Retirement System 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 negatively affects our members and other working families."

"If our public officials are making decisions that will require tax hikes or cuts to programs and benefits, that is something the public deserves to know beforehand, not years down the road," the report concluded.

###