Case Study #2: New York City Pension Funds

With over $240 billion in assets, the New York City Pension Funds are collectively among the largest public pensions in the United States. The five funds, overseen by the New York City Comptroller, serve more than 700,000 current, former, and family members of city employees, teachers, police officers, firefighters, and employees of the Board of Education. In 2018, the three largest pension funds committed to moving their investments away from fossil fuels, and are on-track to move $4 billion out of coal, oil, and gas.

Two notable factors helped move the NYC Pensions Funds toward bold climate action. The first was cultivating buy-in at all levels. The initial ask came from climate-concerned New Yorkers. Over the course of a five-years, these committed activists played a critical role in educating city officials, pensioners, and the public, and planning events and rallies to get this issue on the Comptroller's agenda and keep it there. Equally important was trustee participation. The Comptroller's office commissioned a study to help trustees, the ultimate decision makers, better understand the process and its financial implications. By dedicating the time and resources for the various stakeholders to learn and engage, they could feel confident that the ultimate decision reflected a sense of shared purpose.

Another key element was making

space to consider both moral and fiduciary responsibilities. Calls for the New York City Pension Funds to screen out fossil fuels took on new meaning in the wake of Hurricane Sandy, the 2012 superstorm that resulted in the death of 44 New Yorkers, an estimated $19 billion in damages and lost economic activity, and the displacement of thousands of families. Sandy forced New Yorkers to confront the stakes of the climate crisis, and see themselves on the frontlines.

At the same time, city officials and trustees are particularly focused on long-term financial return and acutely attuned to risk. Before moving forward, they needed to make sure this course of action was in line with their fiduciary duty to act on behalf of the pension funds' participants and beneficiaries. The City's Chief Pension Investment Advisor at the time put it bluntly: "The decision…needed to make economic sense." Factoring in values and finance, city officials and trustees decided not only to move away from fossil fuels, but to increase investments in renewable energy and climate solutions.

Since the New York City Pension Funds 2018 commitments to fossil-free investing, the Comptroller's office has moved quickly, running ahead of its five-year timeline, effectively transitioning from one Administration to the next, and exceeding the funds' reinvest goals. Recognizing the urgency to address the climate crisis, in 2023, the New York City Comptroller released an ambitious plan to reach zero emissions in the funds' investment portfolios by 2040. The plan, which builds on their previous efforts to call on other investors to move their money out of fossil fuels and push North American banks to set stricter carbon pollution reduction targets, makes the NYC Pension Funds a national leader in confronting climate risk and investing in climate solutions.