



**TO:** Senator Rafferty, Chair  
Representative Sylvester, Co-Chair  
Members, Joint Standing Committee on Labor and Housing

**FROM:** William Laubenstein, President  
Maine Association of Retirees, Inc.

**SUBJECT: LD 99: An Act To Require the State to Divest Itself of Assets Invested in the Fossil Fuel Industry**

**LD 319: An Act To Promote Socially Responsible Investing by the Maine Public Employees Retirement System by Prohibiting Investments in the Fossil Fuel Industry or For-profit Prisons**

**DATE:** February 24, 2021

The Maine Association of Retirees, Inc. (MAR) represents retired State and local government employees and educators. We appreciate the intent to discourage investment in businesses whose operations conflict with the perceived public good, but using Maine public pension funds to achieve those goals violates the exclusive purpose language in the Maine Constitution.\*

The Legislature assigned the MainePERS Board the power and duty to: "...make the final decision on all matters pertaining to administration, actuarial assumptions, actuarial recommendations and the reserves and the *investments* of the retirement system (see 5MRSA Section 17103, sub-section 7). LD 99 and LD 319 would compromise the Board's ability to carry out that responsibility. For example, a relatively small underperformance of the MePERS annual investment return target of 6 3/4 % could result in an experience loss of as much as \$100,000,000, increasing the Unfunded Actuarial Liability.

These two bills would prohibit investment in fossil fuel and private-for-profit prisons, but the list of "banned investments" could easily grow over time to include businesses, for example, that use child-labor, don't offer paid sick or vacation time, promote meat consumption, apply pesticides, or are at odds with whichever political party is currently in control of the Legislature, and eventually hamstringing the ability of the System to generate the investment returns required to meet its Constitutional and fiduciary obligations to retirees.

We respectfully request that the Committee vote Ought Not To Pass on both LD 99 and LD 319.

**\*Section 18. Limitation on use of funds of Maine State Retirement System.** All of the assets, and proceeds or income therefrom, of the Maine State Retirement System or any successor system and all contributions and payments made to the system to provide for retirement and related benefits shall be held, invested or disbursed as in trust for the exclusive purpose of providing for such benefits and shall not be encumbered for, or diverted to, other purposes. Funds appropriated by the Legislature for the Maine State Retirement System are assets of the system and may not be diverted or de-appropriated by any subsequent action.

***Leading the Way for Maine Retirees***