

A RESOLUTION

20-709

IN THE COUNCIL OF THE DISTRICT OF COLUMBIA

December 2, 2014

To declare the sense of the Council that the District of Columbia Retirement Board and the Chief Financial Officer should, consistent with their fiduciary obligations, explore all means possible for minimizing the District's involvement with companies with the largest fossil fuel reserves, and to ensure environmentally sound policy and decision-making.

RESOLVED, BY THE COUNCIL OF THE DISTRICT OF COLUMBIA, That this resolution may be cited as the "Sense of the Council Encouraging the District's Prudent Investment with Regard to Fossil Fuels Resolution of 2014".

Sec. 2. The Council of the District of Columbia finds that:

(1) The substantial global risks of climate change remain an important concern and immediate threat to our own generation, as well as those that follow. The role that burning fossil fuels plays in climate change is well documented.

(2) On September 17, 2013, Bill 20-481, the Fossil Fuel Divestment Act of 2013 was introduced. Bill 20-481 would require that the District of Columbia Retirement Board ("DCRB") and the Other Post-Employment Benefits Fund ("OPEB Fund") divest from the top 200 companies that have the largest coal, oil, and gas reserves in which the city has direct holdings. The bill would require notice to the companies of their scrutinized status, and would allow each company an opportunity to reduce its fossil fuel reserves to avoid divestment, and failing that, the bill would require mandatory divestment of direct holdings in the top 200 companies within 4 years. Bill 20-481 also would prohibit DCRB and the OPEB Fund from acquiring new securities of the scrutinized companies, and would require that the funds urge investment fund managers to consider alternatives to managed investment funds with indirect holdings in such companies.

(3) Both the DCRB, and the Office of the Chief Financial Officer, which administers the OPEB Fund, expressed multiple concerns with regard to Bill 20-481. Concerns include the precedent of political interference with the mission of these investment agencies, potential violation of fiduciary duties, that the retirement funds are not the appropriate vehicle for the District government to implement social policy, and that divestment by the District would have minimal social impact. Other concerns include the risk of a "slippery slope" of socially targeted interference with investment decisions, diminished investment opportunities, and unwise restrictions on diversification of assets.

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(4) In light of the fiduciary issues surrounding Bill 20-481, the Committee of the Whole has not yet marked up the legislation. However, recognizing the importance of these issues -- including the use of fossil fuels and the resulting impact on the environment, and the District's role in endorsing or facilitating such use -- the Council makes a statement on this issue.

Sec. 3. It is the sense of the Council of the District of Columbia that:

(1) The DCRB, and OPEB Fund, should, consistent with their fiduciary obligations in investment decision-making, explore all means possible for minimizing the District's involvement with companies with the largest fossil fuel reserves.

(2) DCRB and the OPEB Fund should also explore all means possible to ensure environmentally sound, as well as economically sound, policy and decision-making, both generally and specific to climate change, including through the use of an Environmental, Social, and Governance Policy.

Sec. 4. The Chairman of the Council shall transmit a copy of this resolution, upon its adoption, to the Chief Financial Officer and the District of Columbia Retirement Board.

Sec. 5. This resolution shall take effect immediately upon the first date of publication in the District of Columbia Register.