Submitter: Elliot Maltz

On Behalf Of:

Committee: Senate Committee On Finance and Revenue

Measure, Appointment or Topic: SB681

Honestly I would be supportive of this bill even if it didn't have the qualifier of "the managers of the fund have stated an intention to invest in fossil fuels,". Having so much of the state's investments in Private equity is simply a violation of the fiduciary duty of the Treasurer. Any economist or finance professional who is being honest will tell you that the promise of outsized returns almost always come with the certainty of outsized risk. In addition, the investments made by private equity funds are often illiquid. That means that until they actually start generating the promised outsized returns these investments reduce the state's flexibility to fund operations. It is also my understanding that most or all of these investments are used to fund PERS. The issues I raise above are particularly problematic for a fund designed to support retirees as the enhanced risk noted above makes fulfilling the obligations promised to these retirees more uncertain. If it is indeed true that the reports are true that 60% of the PERS investments are in private equity there has already been an egregious breach of fiduciary duty. Even if this is way overstated the typical level of investment in private equity for a state is about 14% (American Investment Council 2024). Putting a moratorium on such investments just makes good financial sense in that it will begin to put the PERS fund on a much more stable and predictable financial footing.