

KEEPING POLITICS OUT OF STATE PENSIONS: A MULTI-STATE SURVEY OF PROXY VOTING PRACTICES



State pensions have been influenced by the wave of political activism within the finance industry and need to develop tools to ensure they stop supporting such activism.

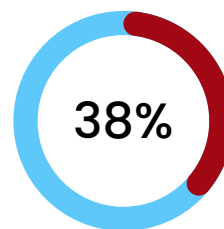
The infiltration of politics into state pensions is derived from the following realities.

- 1** Consolidation in the finance industry has enabled progressive political activists to coopt the industry to advance their agenda on issues ranging from climate change to abortion. This activism undermines the financial performance of American businesses, our democratic institutions, and our market economy.
- 2** State pensions, while not active promoters of environmental, social, and governance (ESG) investing, are still being brought into ESG trends through the actions of advisors and external managers. On average, state pension funds are voting in favor of more ESG shareholder proposals than any of the Big Three investment firms (Black Rock, Vanguard, State Street), who are active promoters of ESG.
- 3** The feedback loop between public opinion, government policy, and corporate actions must be broken to prevent the continued takeover of the means of production by government and crony corporatists.

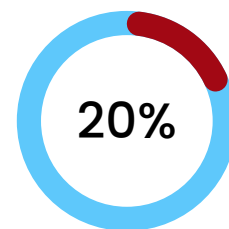
WHAT STATES NEED TO DO TO GUARD AGAINST ESG ACTIVISM:

- Clearly define in statute that ESG investment strategies and ESG shareholder resolutions run counter to the fiduciary duty of state pensions and should be avoided in all forms.
- Require outside investment managers and third-party firms to offer voting policies that enable state pensions to vote against ESG shareholder proposals.
- Require state officials and outside managers to vote solely in the financial interest of the beneficiaries of such funds and justify that they are not acting for ideological, social, or political purposes.
- Task a review board or auditing committee with regular reporting on the proxy votes of state and local pensions and provide tools that enable the attorney general to quickly investigate and prosecute fiduciary violations in investments and proxy voting.

On average the Big Three voted for ESG proposals in energy company elections 20% of the time from 2019 to 2023. The 28 state pension funds tracked in this study voted for 38% of these proposals on average.



State Pensions



Big Three

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