

From: Barb
To: Office State Actuary, WA
Subject: System level climate risks to the WSIB--Comment to SCPP
Date: Wednesday, October 15, 2025 4:26:53 PM

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Dear Members of the Select Committee on Pension Policy,

As a PERS 3 retiree, I appreciate the good stewardship and solid returns of the Washington State Investment Board (WSIB) in recent years.

It is noteworthy that fiduciary duty is not just about maximizing short-term returns but includes the duty of impartiality, balancing the interests of current and future beneficiaries impartially. This requires pension plan managers to make investment decisions balancing the interests of current retirees as much as beneficiaries who retire in the distant future.

Attorney Tiffany Reeves has made presentations to the WSIB on at least two occasions in the past five years and explained that,

"The duty of impartiality does not mandate equality, rather intergenerational equity, which requires careful consideration and weighting of the different interests of beneficiaries."

This aspect of long-term responsibility to beneficiaries retiring in 2010 as much as those retiring in 2060 requires taking account of established changes in financial and environmental conditions.

The EDHEC-Climate Risk Impact Institute just published results that incorporated the latest features in a climate and econometric Integrated Assessment Model using especially conservative assumptions

<https://link.springer.com/article/10.1007/s10640-024-00953-z>

Rebonato et al. (2025) estimated a 20% to 40% baseline reduction in asset values from unabated 3+°C climate change. They estimated a 40% to 60% reduction should climate tipping points occur.

Likewise, Ortec Finance assessed the top 30 U.S. pension funds in 2024 and reported that, "portfolios of the top 30 U.S. pension funds could, on average, experience nearly 50% lower investment returns by 2040 with further declines continuing without recovery until at least 2050" due to climate risks.

<https://www.ortecfinance.com/en/insights/whitepaper-and-report/climate-risk-assessment-top-30-us-pension-funds>

As pension policy makers, along with the WSIB, your responsibility includes preserving and protecting the WSIB funds as well as possible. Climate change needs to be addressed in the WSIB's overall strategy for the long-term, intergenerational, globally invested portfolio that is tied to the overall market.

The WSIB, as a large investor, has the power to impact the market for either good or ill. Because fossil fuel emissions are the main cause of climate change, the WSIB needs a carefully developed investment strategy that implements its fiduciary duty to "find all pressure points they can to reduce greenhouse gas emissions and to apply the pressure they can to do so." -https://irp.cdn-website.com/21c0cb7e/files/uploaded/Executive_Summary_of_Divest_Oregon_2025_Climate_Risk_Review_-_May_2025-8291fde5.pdf

Fossil fuels have lagged the market for over a decade and have little value as diversifiers and have a declining future. At the same time, fossil fuels are dragging down the other WSIB investments and harming investments especially for younger beneficiaries. Investments in fossil fuels now lock in decades of climate-damaging greenhouse gases, which harms not only the portfolio for Gen X, Millennials, Gen Z, and even younger PERS beneficiaries, but every aspect of their quality of life.

Below is a list of strategies taken from [Divest Oregon--2025 Climate Risk Review](#)—(Executive Summary, p. 24-25 for numbered citations) to address the fiduciary duty tied to climate financial risk. I entreat you to read and share with your staff.

Portfolio-beneficial Investment strategies include:

- Establishing a Net Zero plan;¹⁰⁹
- Accelerating clean-energy investments;¹¹⁰
- Recognizing the limited role of carbon capture;¹¹¹
- Divesting portfolio-dragging fossil fuels and reinvesting those proceeds and more into market-competitive climate solutions;¹¹²
- Avoiding and discouraging debt and equity investments in entities causing outsized portfolio-damaging climate change;¹¹³
- Calling for and investing in fossil phaseout passive bond indices;¹¹⁴
- Creating an internal strategic climate-impact investment program;¹¹⁵
- Subjecting major WSIB investments to a systemically adjusted fair value analysis, which would provide empirically based guidance for engagement priorities and consequences.¹¹⁶

Portfolio-beneficial engagement strategies include:

- Understanding the types and purposes of engagement;¹¹⁷
- **Acting alongside other public pension funds and Net Zero investors.**¹¹⁸ This is essential.
- Urging WSIB investment managers to provide fossil phaseout products and requiring them to invest according to OIC climate policy;¹¹⁹
- Advocating and pressuring for reduction in greenhouse gas emissions from companies in which WSIB invests;¹²⁰
- Field building to influence the adoption of climate-sustainable policies and practices;¹²¹
- Advocating with and pressuring banks and insurance companies, who provide most lending to portfolio-damaging fossil fuel projects, to restrict and end funding for fossil fuel companies;¹²²
- Advocating and pressuring government policymakers for effective climate policies to speed energy transitions before too much WSIB wealth is destroyed;¹²³
- Educating beneficiaries about the impact of climate risk on their retirements and what is needed to protect investments made on their behalf.¹²⁴

Thank you for your efforts to protect the WSIB and the many thousands of beneficiaries in Washington from devastating losses if climate change is not directly addressed.

Respectfully,
Barbara Carey
Olympia, Washington

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