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WASHINGTON, D.C. 20006

May 10, 2021

The Honorable Glenn Hegar
Comptroller of the State of Texas
P.O. Box 13528
Austin, Texas 78711

Dear Comptroller Hegar,

I am writing to you to share our strong concern with legislation introduced into the Texas State Senate in early March, SB-13. I am the former State Treasurer and sole fiduciary of the State of Connecticut pension system, former Member of and Assistant Minority Leader of the Connecticut House of Representatives, former Assistant Secretary and CFO of the United States Department of State under Secretary Powell and Secretary Rice, and former Under Secretary General of the United Nations, where I was also sole fiduciary of the UN pension's retirement fund. Throughout my career as a fiduciary, I have worked hard to keep politics out of the management of other people's money. In 2018, I founded the Institute for Pension Fund Integrity (IPFI), a not-for-profit think-tank that advocates for not letting any politics seep into the management of our public pension plans.

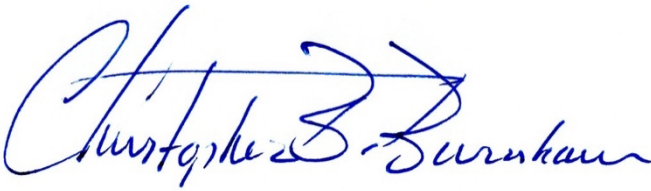
The legal concept of "fiduciary duty" dates back to the Crusades. English Common Law added to it a "duty of loyalty", and a court in Massachusetts in the early 19th century incorporated into it the "prudent man rule".

No where does political activism, no matter how laudable, negate that duty. For matters of national security (i.e., laws we passed in Connecticut that prohibit the owning of shares in companies that "do business with Iran or (or Iraq in the 1980s), and potentially, today, some firms in China, are the only permissible addition to fiduciary duty.

If we allow a political bill to prohibit Texas public pension funds from hiring managers that have used the heat shield of "ESG" to strip out fossil fuel companies--where does that political slippery slope stop? It matters not whether the advocacy is from the right or left, Democrat or Republican--any effort to inject a political agenda into public pension fund management is wrong, a violation of fiduciary duty, and SB-13, as drafted, clearly falls into that category. "ESG" in money management is an appropriate risk management tool along with all the other "top down-bottom up" screening criteria a money manager may use in the course of building a portfolio. It must always, however, be a tool that is balance sheet positive or neutral, and adds positively to free cash flow and "EBIDA". "Activism" in portfolio management may be appropriate for your personal investments if that is your choice, but never for a fiduciary.

I strongly encourage you to ensure the fiduciary language in the legislation (SB-13) is strong enough to provide the public pension fund managers in Texas the ability to continue to make investment decisions based on duty to perform with the highest return on a risk adjusted basis. The state's retired employees, teachers, police officers, firefighters and current employees deserve to have only this criteria used to manage their hard-earned retirement monies, and that fund managers will continue to choose investments based on a strict loyalty to fiduciary duty, and never on political preference, opinions, or pressure.

Sincerely,

A handwritten signature in blue ink that reads "Christopher B. Burnham". The signature is written in a cursive style with a large, stylized initial "C".

The Honorable Christopher B. Burnham
President, Institute for Pension Fund Integrity