

HOUSE No. 4127

The Commonwealth of Massachusetts

PRESENTED BY:

Erika Uytterhoeven

To the Honorable Senate and House of Representatives of the Commonwealth of Massachusetts in General Court assembled:

The undersigned legislators and/or citizens respectfully petition for the adoption of the accompanying bill:

An Act to establish the Pension Innovation Fund for intergenerational equity.

PETITION OF:

NAME:	DISTRICT/ADDRESS:	DATE ADDED:
<i>Erika Uytterhoeven</i>	<i>27th Middlesex</i>	<i>1/17/2025</i>

HOUSE No. 4127

By Representative Uyterhoeven of Somerville, a petition (accompanied by bill, House, No. 4127) of Erika Uyterhoeven for legislation to establish a pension innovation fund for intergenerational equity. Public Service.

The Commonwealth of Massachusetts

**In the One Hundred and Ninety-Fourth General Court
(2025-2026)**

An Act to establish the Pension Innovation Fund for intergenerational equity.

Be it enacted by the Senate and House of Representatives in General Court assembled, and by the authority of the same, as follows:

1 SECTION 1. Chapter 29 of the General Laws is hereby amended by inserting, after
2 section 2JJJJJ, the following section:-

3 Section 2KKKKKK. (a) For the purposes of section, the following words shall, unless the
4 context clearly requires otherwise, have the following meanings:

5 “Board”, the pension reserves investment management board.

6 “Climate-related financial risks”, investment risks arising from climate change, including
7 but not limited to: (i) transition risks, such as regulatory changes, carbon pricing, market shifts
8 and stranded assets; (ii) physical risks, including extreme weather events and infrastructure
9 vulnerabilities; and (iii) litigation risks, including legal liability for investments misaligned with
10 climate-related fiduciary standards.

11 “Commission”, the public employee retirement administration commission established
12 under section 49 of chapter 7.

13 “Fiduciary stewardship”, the obligation of pension fiduciaries to incorporate long-term
14 risk mitigation into investment strategies, including climate-related financial risks, to protect the
15 retirement security of current and future beneficiaries.

16 “High-risk assets”, investments in industries or companies with significant exposure to
17 climate-related financial risks, including fossil fuels and carbon-intensive infrastructure that may
18 become stranded assets.

19 “Safe harbor protections”, legal provisions ensuring that fiduciaries acting in good faith
20 shall not be held personally liable for adopting investment strategies that align with long-term
21 risk mitigation and climate resilience.

22 “Sustainable investments”, investments that align with net zero goals, promote economic
23 resilience and prioritize sectors such as renewable energy, energy efficiency, sustainable
24 infrastructure and nature-based solutions.

25 (b) There shall be established and set up on the books of the commonwealth a separate
26 fund known as the Pension Innovation Fund, hereinafter referred to as the fund. The fund shall:
27 (i) provide economic and workforce support for communities and workers impacted by energy
28 transition; (ii) enable fiduciaries to incorporate climate-aware investment strategies through
29 financial assistance, technical expertise and risk assessment tools; (iii) facilitate the transition of
30 public pension funds toward climate-aligned, risk-resilient investment strategies that promote
31 long-term financial security, intergenerational equity and systemic resilience; (iv) support and
32 provide a structured, legally protected pathway for pension funds to divest from high-risk assets

33 and allocated toward sustainable investments; (v) establish fiduciary safe harbor protections to
34 empower pension fund managers to proactively manage climate risks without fear of undue legal
35 liability; (vi) support economic and workforce transition initiatives to protect workers and
36 communities affected by industry shifts; and (vii) enhance transparency and accountability
37 through standardized reporting and public oversight mechanisms. The fund shall be administered
38 by the state treasurer.

39 (c) The fund shall be credited with: (i) revenue from appropriations or other money
40 authorized by the general court and specifically designated to be credited to the fund; (ii) interest
41 earned on money in the fund; (iii) 1 per cent of annual returns generated by the board; (iv) 0.5
42 per cent of the board's actuarial risk adjustment premium; (v) green bonds issued by the
43 commonwealth; and (vi) contributions from private sector entities, including public-private
44 partnerships, foundations and other organizations. Amounts credited to the fund shall not be
45 subject to further appropriation and any money remaining in the fund at the end of a fiscal year
46 shall not revert to the General Fund.

47 (d) The fund's annual financial targets shall align with: (i) the scale of transition
48 initiatives required to meet net zero and fiduciary risk mitigation goals; and (ii) a structured
49 funding approach, beginning with: (A) 1.5 per cent of funds for foundational programs and pilot
50 initiatives in year 1; and (B) contributions capped at 1 per cent of the board's annual returns,
51 subject to review and adjustment based on assessed needs in subsequent years.

52 (e) The treasurer shall make expenditures from the fund including, but not limited to, the
53 following purposes: (i) providing technical and financial assistance to public pension funds for:
54 (A) divesting from high-risk assets while managing transition risks; (B) researching and

55 implementing sustainable investment strategies; (C) developing portfolio realignment models
56 and risk assessment tools; (ii) financing workforce retraining and upskilling programs for
57 employees impacted by industry shifts; (iii) supporting regional economic development
58 initiatives that promote job creation in renewable energy and sustainable industries that offer fair
59 wages and benefit and that commit to union neutrality; (vi) providing financial stabilization
60 resources for communities affected by economic transitions; (vii) establishing pilot programs for
61 fiduciary innovation, including impact investments, climate-aligned funds, and other risk-
62 mitigating strategies; (viii) providing funding for research and independent risk modeling to
63 assist pension fiduciaries in assessing long-term systemic risks; (ix) developing investment
64 frameworks that incorporate fiduciary principles alongside climate-related financial risk
65 mitigation; (x) requiring standardized reporting on expenditures, investment reallocations and
66 climate-aligned fiduciary strategies; (xi) ensuring public oversight and stakeholder participation
67 through annual reports, advisory boards and public engagement mechanisms; and (xii) limiting
68 administrative expenses to 5 per cent of annual fund revenue to ensure efficient use of resources.

69 (f) Fiduciaries managing public pension funds shall: (i) explore and adopt investment
70 strategies to: (A) address systemic risks, including climate-related financial risks; and (B)
71 balance short-term returns with long-term financial and systemic stability; (ii) document efforts
72 to integrate sustainable investments and mitigate taxpayer risk; (iii) explore new industries and
73 investment opportunities, including new or alternative investment practices suited to the
74 character and aims of public pensions, which include, but are not limited to, project finance,
75 asset management and trading, debt and equity; and (iv) show fiduciary stewardship to align
76 their investments with strategies that protect long-term value, ensure intergenerational equity and
77 safeguard plan participants' retirement security.

78 (g) Fiduciaries managing public pension funds shall not engage in any course of action,
79 including, but are not limited to: (i) investments that they know or should have known has a
80 likelihood of contributing to direct or indirect injury to pension beneficiaries; and (ii)
81 investments in enterprises known to contribute to coastal and inland flooding, heatwaves,
82 drought, price volatility of food, energy and necessities, fire hazards and other extreme weather
83 events. Any participation in such risk-intensification activities that fiduciaries knew or should
84 have known would expose beneficiaries to these injuries, presently or in the future, wherever it is
85 foreseeable that beneficiaries may live or travel, constitutes a breach of fiduciary duty.

86 (h) Fiduciaries managing public pension who act in good faith, with reasonable care,
87 shall not be held personally liable for losses resulting from investment strategies aligned with
88 reducing climate-related risks. Fiduciaries shall be presumed to have acted in good faith if they:
89 (i) rely on credible, diversified, independent analysis or advice from qualified professionals; and
90 (ii) follow established policies and procedures for evaluating and mitigating risks associated with
91 innovative strategies.

92 (i) Fiduciaries managing public pension shall be indemnified by the commonwealth
93 against legal claims or damages arising from: (i) their participation in the adoption,
94 implementation or oversight of investment strategies under this section; and (ii) actions taken in
95 compliance with the provisions of this section.

96 (j) The commission, in consultation with the state treasurer, shall oversee that the fund
97 and fiduciary investment strategies are in compliance with this section. The commission shall
98 conduct annual compliance reviews of the board's investment practices evaluating: (i) progress
99 on divestment from high-risk assets; (ii) effectiveness of capital reallocation into sustainable

100 industries; (iii) implementation of fiduciary innovation strategies; (iv) outcomes of workforce
101 and economic transition initiatives.

102 (k) The commission, in consultation with the state treasurer, shall prepare an annual
103 report that shall include: (i) fund expenditures and allocations; (ii) performance benchmarks for
104 sustainable investments; (iii) status of pension portfolio realignment; (iv) measurable outcomes
105 for workforce transition programs; and (v) progress toward net zero alignment and
106 intergenerational equity goals.

107 (l) The commission shall annually, not later than December 31, report on the activity of
108 the fund to the: (i) house committee on global warming and climate change; (ii) chairs of the
109 joint committee on revenue; (iii) chairs of the house and senate committees on ways and means;
110 and (iv) clerks of the house of representatives and senate.

111 SECTION 2. This act shall take effect 180 days after passage.