MEMORANDUM

TO: **Independent Petroleum Association of America**

FROM: **FTI Consulting, Inc.**

DATE: **May 23, 2016**

RE: **Results from survey of U.S. pensioners – views on, awareness of fossil-fuel divestment**

This memorandum details the results of an online survey conducted by FTI Consulting, Inc. between May 2-5, 2016. The survey captures the views of 790 individuals from all across the United States who self-identify as beneficiaries of pension-fund disbursements. All respondents (either themselves or spouse) derive pension-related income from prior professional service in the public sector, with a large number of teachers, fire and police officers, and government personnel represented among this pool. Participation selection for the survey was qualified through the use of FTI's panel provider's database. All qualified participants were at the time of this survey at least 55 years of age, with 52 percent of respondents identifying themselves as female.

SUMMARY

Although much of the public attention on the divestment issue has heretofore centered on activists' attempts to convince colleges and universities to purge their accounts of fossil-fuel related holdings, recent efforts aimed at broadening that campaign to influence the investment decisions of large pension-fund managers have begun to pick up steam.

Of course, the most obvious difference between college endowment divestment and pension fund divestment is sheer size. Even the largest college endowment funds in existence today hold only a fraction of the assets managed by public pension funds, which provide financial support to literally hundreds of thousands of U.S. households. Therefore, any potentially negative effect that divestment decisions may have on returns for colleges and universities would be compounded enormously in the context of pension-fund performance, impacting potentially millions of Americans who derive a significant percentage of their everyday income from these funds.

Against that backdrop and at the request of IPAA, FTI Consulting solicited the views of nearly 800 individuals who invested money they earned over the course of their public-sector careers in pension funds – and from which, they derive (primarily) retirement benefits today. In particular, we sought to better understand how much these pensioners know about current activist-led campaigns to persuade fund managers to divest their holdings of assets in the oil and natural gas space, and whether they could embrace such a policy both as a general, ideological proposition, and also, in a more practical context, if it meant that returns on their investments could potentially be lowered over time.

One of the primary and most intuitive arguments in opposition to divestment is that it would make one's investment portfolio less diversified, potentially robbing pensioners of the well-established benefits that come from spreading one's investments out over multiple sectors of the economy. On this question, pensioners s overwhelmingly (74 percent) believe that diversification is "very important" to the overall positive performance of the fund, with majorities identifying "technology," "energy," "utilities" and "health care" as sectors that a well-diversified portfolio would necessarily be invested in to qualify as being fully diversified.

As a general proposition, nearly two out of three (64 percent) pensioners say they want their pension fund manager to invest in a way that is solely focused on "maximizing returns" on the money they've invested. Interestingly, support for this position is even higher among respondents from energy-producing states, such as Texas (86 percent), Pennsylvania (74 percent), and Colorado (71 percent). Among this group, strong majorities say they don't want their investments to be "politicized" (55 percent) and that they've rightfully earned those higher returns based on their careers in the public-sector (53 percent).

As a follow-up, respondents were asked if they'd be willing to divest from any company or industry for political or personal reasons if it meant the possibility of lower returns. Nationally, 64 percent of respondents told us they would not be willing to do that, and opposition numbers were even more significant in energy producing states. In Texas, 83 percent of respondents rejected the idea out of hand, 74 percent of Pennsylvania residents did as well, and even in New York -- which ranks as a large consumer of oil and natural gas, but not quite as large a producer of it -- 69 percent of respondents agreed that divestment wasn't for them.

Asked as an open-ended question about which companies and/or industries pensioners might be comfortable divesting from based on political beliefs, only nine percent identified firms or industries related to oil and gas. In Texas, 88 percent of respondents told us they would actively oppose divesting from oil and gas companies, and large majorities appear to hold the same position in Pennsylvania (77 percent), Ohio (71 percent) and New York (72 percent) as well, among other states.

As respondents were exposed to arguments both in support of oil and gas divestment and opposed to it, opposition continued to grow throughout. Opposition levels reached a high-point of 75 percent during the course of the survey, with participants finding particularly persuasive the argument that divesting from oil and natural gas firms makes little sense so long as we continue to consume the products they produce as part of our everyday lives.

The other argument that appears to resonate widely is that, rather than divesting from oil and gas companies, "we need to focus on supporting organizations that do positive work on the environment and on promoting legislation and policies that improve corporate sustainability among these companies. " Nearly two-thirds (63 percent) of pensioners rate this argument as "compelling."

Among the key demographics represented in this survey, a plurality of participants identified themselves as Democrats (38 percent), with a large majority indicating it is in possession of at least a college degree (69 percent). Pensioners are near-universally (97 percent) registered to vote and 96 percent indicate they are "likely" to cast a ballot in the upcoming presidential election.

About FTI Consulting

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