



Keep Vermont's money here

Editorial

Wednesday, April 11

The \$3 billion that Vermont has in its state-managed pension funds isn't a lot in the general scheme of things. But State Treasurer Jeb Spaulding's announcement that some of that money will be steered toward local investments is welcome news.

Spaulding said Monday that the Vermont Pension Investment Committee, which manages money on behalf of retired teachers, state workers and municipal employees, has adopted a policy to use some of the money to support things such as affordable housing, renewable energy and other local projects.

While the primary responsibility of public pension investment managers is to ensure a reasonable rate of return with as little risk as possible, Spaulding believes that this doesn't preclude the use of state pension money to contribute to Vermont's economic growth.

There is a vast pool of wealth in state pension funds nationwide -- more than \$2 trillion in assets. No one paid much attention to these funds until the collapse of Enron and other corporate scandals earlier in this decade wiped out hundreds of billions of dollars of their investments.

Suddenly, fund managers went from passively accepting market dogma -- and its obsession with maximizing short-term gains at the expense of long-term interests -- to challenging Wall Street and its anti-social behavior.

Pension funds, by their very nature, are focused on the long term. The current laissez-faire system of capitalism damages values -- such as equitable treatment of workers, protecting the environment and building social capital -- which every society relies on for its long-term survival.

The apologists for unbridled capitalism scream loudly that any departure from a fund's fiduciary duties is dangerous, and making a profit should be the only consideration of a fund manager. Why shouldn't public money be invested in areas that advance the public good?

This is the new bottom line for many public pension funds. You can't have a successful economy and a failing society, and it is possible for a fund to deliver a decent financial return while making investments that deliver long-term benefits for society at large.

Spaulding said Vermont is following the lead of Massachusetts and New York in steering some of its public pension money into local investments. The funds don't invest in specific businesses or projects, but target the money toward broader sectors of the economy. This approach has delivered good returns to the funds and has helped local economies grow.

We think that keeping more of Vermont's money in Vermont is always a good idea. If Spaulding can do well and do good with the state's pension money, everyone will benefit.