



THE CITY OF NEW YORK
OFFICE OF THE COMPTROLLER
BRAD LANDER

MEMORANDUM

TO: Trustees of NYCERS, TRS, and BERS
FROM: New York City Comptroller Brad Lander
RE: Net Zero Implementation Plan Update and Recommendations
DATE: November 25, 2025

Introduction

As I prepare to leave office at the end of the year, I am writing to provide you with an update on the Net Zero Implementation Plans adopted in 2023, and to make recommendations to you for moving forward on them.

As Comptroller, one of my greatest honors has been working together with you as stewards of the retirement security of New York City's employees and retirees. With hundreds of billions of dollars in assets under management, hundreds of thousands of current and retired city workers and their beneficiaries, and obligations that run out decades into the future, this responsibility is immense. It is my strongly-held belief that, in order to fulfil our fiduciary obligations in the long-run, we must address the systemic risk posed by climate change.

The Teachers' Retirement System of the City of New York (TRS), New York City Employees' Retirement System (NYCERS), and NYC Board of Education Retirement System (BERS) (collectively the "Systems") have long been industry leaders on climate action. Over the past decade, these Systems have taken action, consistent with fiduciary duty, on climate including divesting from thermal coal in 2016 and voting in 2021 to divest from fossil fuel reserves in our public equities and corporate bonds portfolios and committing to the ambitious goal of achieving net zero emissions by 2040.

When I took office in 2022, my office completed this fossil fuel divestment and in 2023, my Office developed and the Systems adopted ambitious Net Zero Implementation Plans (the "Plans") to

prudently achieve their Net Zero by 2040 goals. The Plans include strategies to disclose fossil fuel emissions, strategically engage asset managers and portfolio companies to push for decarbonization, dramatically scale up investments in renewable energy and climate solutions, and divest from companies where other strategies failed to reduce risk. The Plans set expectations that public markets asset managers submit net zero alignment plans to the Comptroller's Office by June 30, 2025.

I am pleased to report that the Systems have made significant progress in achieving the goals set by the Plans since 2023. As we announced in April, the Systems have collectively achieved a 37% reduction in financed greenhouse gas emissions since the baseline of 2019, have productively engaged with companies responsible for a significant share of the Funds' financed emissions (particularly in the utility and financial sectors), and have surpassed their climate solutions investment interim goals one year ahead of schedule, with a total exposure of \$11.9 billion across the Systems as of December 31, 2024 vs. a 2025 goal of \$8.6 billion. These strong actions on climate have taken place while the Systems have achieved a strong 10.5% combined net investment returns for FY2025, which exceeded their actuarial target of 7%.

Also in April of this year, in a [public announcement](#) and a letter sent to the Systems' asset managers, my Office set forth the standards by which public markets asset managers' net zero alignment plans would be evaluated, and I committed to recommending that the boards consider putting insufficient managers' investment mandates out to bid.

The Systems instructed public equity and corporate bonds asset managers to submit a written plan by June 30, 2025 describing how they will align with the Systems' net zero goals consistent with fiduciary duty. In their written plans, we set the expectation that managers adopt the following practices at minimum:

1. Engage portfolio companies to drive real economy decarbonization, not just portfolio decarbonization.
2. Incorporate material climate change-related risks and opportunities in investment decision-making.
3. Ensure a robust and systematic stewardship strategy that addresses prioritization and escalation of engagement and voting to advance decarbonization.

In addition, we set the expectation that our managers engage their portfolio companies to:

1. Measure and report Scopes 1, 2, and material Scope 3 emissions.
2. Set goals to reach Net Zero by decreasing their scope 1, 2 and 3 emissions using one or more quantified climate measurement standards, such as those of the Science-Based Targets Initiative (SBTi).

3. Adopt a clear transition plan detailing how the company will meet its short-, medium- and long-term climate goals.
4. Align future capital expenditures and lobbying with climate goals and targets.
5. Consider the impacts from transitioning to a lower-carbon business model on workers and communities.

We are pleased to report that all 49 public markets managers – active and passive –submitted plans. Our office has evaluated these plans according to a [rubric](#) based on the written [expectations](#), grounded in fiduciary standards, circulated to all managers in April. Our office has met with these managers both leading up to the deadline and subsequently to provide additional guidance on expectations and to seek clarity where plans were vague.

We are also pleased to report that 46 of the Systems’ 49 public markets managers submitted decarbonization plans that met the Systems’ climate expectations as outlined above. A list of those 46 public markets managers is provided as Appendix A. I recommend that the Systems continue to work closely with these managers to achieve their responsible investment goals.

Three of the 49 managers submitted plans that did not meet the Systems’ climate expectations, for reasons outlined below. I am now recommending that the Boards take action regarding those managers as follows.¹

Manager	Mandate	Systems	Assets as of 8/31/25
BlackRock	US Equity R1000 Core, R2000 Growth, R2000 Value	TRS, NYCERS, BERS	\$42.3 B
Fidelity	WorldxUS Equity Small Cap Core (SCC)	TRS	\$384 M
PanAgora	US Equity Small Cap Core	TRS, NYCERS	\$358 M

¹ I am making this recommendation in my individual capacity, following a detailed review of the decarbonization plans submitted by our asset managers by ESG staff of the Bureau of Asset Management, as we committed in the Net Zero Implementation Plan, which the boards voted to adopt in 2023. These recommendations have not yet been considered by the BAM Investment Committee. With my time in office coming to an end, I wanted to fulfill the commitment I made that our office would conduct this review and make recommendations. Any actions will, of course, need to be considered and voted on by the Trustees. Given the timeline, which was established in 2023 when the Funds adopted the Net Zero Implementation Plans, that will not likely happen during my tenure. Our responsible investment work is long-term work. I was pleased to build up on the work of my predecessors, to carry it forward during my term, and to hand it off to Comptroller-elect Levine, all while working closely with the Funds’ Trustees, and with careful attention to our shared fiduciary duty.

Recommendation

I recommend that TRS, NYCERS and BERS approve issuing a Notice of Search to re-evaluate appropriate managers for BlackRock's U.S. public equity index mandates to address the Systems' climate expectations consistent with fiduciary duties. Incoming bids will be evaluated using appropriate fiduciary criteria, including managers' net zero or alternative decarbonization plans. In addition, I recommend that the Boards formally approve BlackRock's Climate and Decarbonization Guidelines for their non-U.S. equity index mandates.

Background

BlackRock is the Systems' largest manager, managing \$42.3 billion in U.S. public equity index mandates.² Our office focused our evaluation of BlackRock's decarbonization efforts on its public equity stewardship on behalf of the Systems. BlackRock has bifurcated its climate stewardship approach with two co-existing but at times contrasting policies: (1) a Climate and Decarbonization Stewardship ("CDS") policy and (2) a Benchmark stewardship policy. The CDS policy provides for more comprehensive climate stewardship that adheres to fiduciary duty by allowing appropriate engagement on potentially material topics such as setting decarbonization targets, including emissions reductions targets and science-based targets, and measuring material scope 3 emissions. This is in contrast to the Benchmark policy, which artificially restricts the scope of stewardship to generally exclude action on these and other potentially material issues.

Until recently, BlackRock was unwilling to allow clients, including the Systems, to opt into its CDS policy unless the client delegated its proxy voting to BlackRock. However, after our engagement with BlackRock through this process, BlackRock has changed its prior position and decided to allow clients for whom BlackRock does not vote proxies to opt in to the CDS policy. The CDS policy meets the expectations of the Systems regarding climate engagement and this reversal marks a welcome change.

² In addition to the \$42.3 billion in U.S. public equities, BlackRock also manages an additional \$420 million in private infrastructure (plus \$519 million additional in GIP, which BlackRock now owns), \$1.4 billion in emerging markets equity, \$1.0 billion in treasuries, \$5.6 billion in mortgages, for a total of \$9 billion excluding U.S. public equity. Altogether, BlackRock currently manages almost \$52 billion in assets for NYCERS, TRS and BERS.

We continue, however, to have significant concerns regarding BlackRock's restrictive approach to engagement with the approximately 2,800 U.S.-listed companies where it owns 5% or more of the equity, including many companies that account for a meaningful share of the Systems' financed emissions. BlackRock's large size means it owns 5% of far more companies than any other investor. BlackRock has reported that it will not reach out proactively to these companies individually as it relates to proxy voting issues (including director elections) except in narrow circumstances (proxy fights or material M&A votes) because of BlackRock's conservative interpretation of new SEC guidance, issued earlier this year, that requires firms with 5% ownership to file form 13D with the SEC if they communicate with those companies on proxy voting matters.

BlackRock explained that this position is not simply a matter of filing a longer, more complicated form (compared to form 13F, which is required for passive holdings of greater than 5%) but could materially affect its ability to execute index investing for its clients, including the Systems. Filing a 13D requires a 10-day pause in trading, which would prevent BlackRock from buying or selling the security in order to maintain the index exposure to it, potentially leading to tracking error during that period.

In addition, BlackRock says that many other regulators utilize the SEC definition of passivity (i.e., filing 13F for 5% or greater holdings rather than 13D), such as FERC (energy, utilities), FDIC (banks), and state insurance regulators, which allows BlackRock to avoid regulation by them given its ownership of companies in these sectors as long as they meet that SEC definition. If BlackRock filed 13Ds at companies subject to regulation by these regulators, it says it would potentially have to take actions (including selling down a position to get below the 5% threshold) that no other equity investors have to take. Finally, BlackRock says a 13D filing and meeting the definition of an active owner of 5% could trigger a poison pill.

While this explanation of BlackRock's conservative approach to engagement with U.S. companies subject to SEC regulation in which it owns 5% is plausible, other comparable firms take a less constraining approach. The result of BlackRock's approach is that BlackRock is unable to meet several of the Systems' climate expectations regarding engagement, including encouraging portfolio companies to take concrete climate actions such as setting net zero goals and science-based targets, adopting clear transition plans, and aligning capital expenditures and lobbying activity with companies' climate goals and targets. In other words, BlackRock's policy prevents it from proactively engaging companies on taking these actions even when doing so is financially material and beneficial to the company. This restriction limits BlackRock's ability to prudently address climate risk and opportunity in their engagement of companies. While BlackRock has a global CDS focus list of 900 companies, it says it will not proactively reach out to U.S. companies

nor set agendas for engagement; consequently, it cannot meet the Systems' expectations set forth in the Plans. BlackRock also says it cannot seek to influence these companies' actions, which means it cannot meet the Systems' expectations set forth in the Plans with respect to their U.S. portfolios.

An additional concern is BlackRock's reporting of their engagement activities. BlackRock's current reporting is very high level and does not provide specifics about engagement outcomes, with the exception of limited anecdotal "spotlight" columns in their annual stewardship report. BlackRock says it will provide enhanced reporting in the future that will provide details on companies' actions that BlackRock learns about through engagement, but will not attribute credit to BlackRock for any outcomes for U.S. companies in which it owns 5%. While this concern is not a basis for the recommendation at this time given BlackRock's efforts to improve, it is a topic to monitor and address in criteria for a Notice of Search.

BlackRock is not restricted on any of these stewardship actions with regard to non-U.S. companies, where the SEC regulations do not apply. Two-thirds of the 900 companies on their CDS focus list are outside the U.S., so with non-U.S. companies, BlackRock is sufficiently fulfilling the Systems' climate expectations for their managers. For that reason, we recommend that the Systems retain BlackRock for its non-U.S. equity index mandates and formally vote to join the CDS so BlackRock can engage those non-U.S. companies.

We also compared BlackRock's approach to climate stewardship at U.S. companies to the approach of State Street, the Systems' second largest manager, which is also passive, managing a total of \$8 billion in U.S. equity index assets for the Systems. State Street's Sustainability Stewardship Service, to which it allows clients to opt in regardless of whether it votes the clients' proxies, has a much more robust approach to climate engagement with U.S. companies than BlackRock. State Street's Sustainability Stewardship Service demonstrates a robust and systematic stewardship strategy that addresses prioritization and escalation of engagement and voting to advance decarbonization. For example, State Street expects companies to set net zero plans where feasible and disclose short- and/or medium-term GHG reduction targets, where relevant, and have those targets validated by Science Based Targets initiative (SBTi), where feasible. It also expects companies to disclose transition plans and how capital expenditures align with those plans. State Street applies this approach in its Sustainability Stewardship Service to both U.S. and non-U.S. issuers, even where State Street exceeds the 5% ownership threshold that BlackRock says prevents it from proactively engaging with U.S. issuers, with a prioritization of businesses with high emissions and/or climate-related risks.

In sum, State Street's approach to climate stewardship demonstrates that it is possible for a large global equity index manager to meet the Systems' climate expectations in ways that BlackRock has not demonstrated it is willing to do.

Fidelity

Recommendation

I recommend that TRS terminate Fidelity's World exUS small cap mandate, with BAM and consultant Goldman Sachs to make a recommendation about how to re-allocate the assets to fulfill the investment objectives of this strategy while better addressing the Systems' expectations for climate stewardship.

Background

Fidelity manages an international (non-U.S.) small cap equity strategy for TRS with approximately \$384 million of AUM. This is an actively managed strategy unlike BlackRock's index strategy discussed above.

While Fidelity has not bifurcated their stewardship approach, they have taken a restrictive approach to engaging companies outside of the U.S. Fidelity states that they may easily reach 5% ownership with a number of non-U.S. small cap companies given the small size of these companies and large size of Fidelity. While the SEC's guidance on 13D filing related to 5% ownership does not apply to non-U.S. companies, Fidelity states they voluntarily decided to apply the SEC guidance to non-U.S. and U.S. companies alike. This means that Fidelity will not seek to influence companies or encourage them to take decarbonization actions, even when it is financially material and beneficial for the company. Other managers of the Systems for non-U.S. strategies have not demonstrated this restrictive approach. This position precludes Fidelity from meeting the Systems' expectations and prudently addressing climate risk and opportunity in their engagement of companies.

PanAgora

Recommendation

I recommend that NYCERS and TRS terminate PanAgora's US small cap equity mandate, with BAM and each System's general consultant to make a recommendation about how to re-allocate the assets to fulfill the investment objectives of this strategy while better addressing the Systems' expectations for climate stewardship.

Background

PanAgora manages approximately \$358 million of assets in an actively managed U.S. small cap strategy for TRS and NYCERS. PanAgora applies a quantitative investment strategy, meaning it uses a rules-based investment approach that selects securities based on mathematical and statistical models. PanAgora stated that, as a quantitative manager, they generally do not form views on or follow individual companies. However, they do track companies that do not disclose emissions data and will engage such companies based on research that indicates the benefits of a lower cost of capital for companies that have better disclosures. PanAgora also stated they use a signal in their quantitative model that looks at the carbon intensity of a company based on their view that greater carbon efficiency is beneficial to companies. Despite PanAgora's views on the benefits of carbon efficiency, they do not engage companies on climate beyond the topic of disclosing emissions. This means they do not engage companies to take any decarbonization actions to improve carbon efficiency such as setting emissions reduction targets or adopting decarbonization plans even when such actions may be beneficial to a company. PanAgora is also the only quantitative public equity manager of the Systems to adopt such a restrictive approach.

Midstream & Downstream Policy Proposal

In June, I proposed a new policy to the Systems' Boards to cease future investments in midstream and downstream fossil fuel infrastructure. This policy would add a provision to their existing prohibition of upstream fossil fuels private markets investments. While the boards have not yet taken action on this item, I continue to support this policy proposal.

Midstream and downstream investments are material in the Systems' infrastructure portfolios; there is very little exposure in their private equity and alternative credit portfolios. While midstream/downstream investments in infrastructure have performed slightly better than the overall infrastructure portfolio since inception, the global economy is changing, climate change

is worsening, and the energy transition is gaining traction, despite the efforts of the current federal administration and certain elected officials to slow it down. Most midstream and downstream assets are capital-intensive and long-term in nature, and the long-term outlook for fossil fuels is negative as the economy transitions to low-carbon energy. There is no guarantee that future midstream/downstream investments (which this policy addresses—it would have no impact on existing investments or capital commitments to current funds) will continue to generate excess returns.

Since climate risk is financial risk, we have a fiduciary duty to the members and beneficiaries of the Systems to take that risk seriously as we make long-term investment decisions. The impacts of the climate crisis are playing out in real time, with more frequent hurricanes, flash floods, intense heat waves, and deteriorating air quality jeopardizing our planet as well as the Systems' portfolios. Excluding investments such as pipelines and LNG terminals from future investments will help mitigate the systemic risks that climate change poses to the global economy and to the Systems. Taking this critical step will ensure that the Systems' private markets investments are not financing fossil fuel infrastructure that will make it harder for the planet to limit global warming to the Paris-aligned levels needed to protect our city, the planet we leave to the children of the Systems' members and the global economy we need to generate the long-term investment returns to fund NYC employees' pension benefits.

This proposal builds on the Systems' previous actions to exclude publicly traded fossil fuel reserve owners from the public equity and fixed income portfolios and prospective upstream fossil fuel investments from the private markets portfolios. By excluding prospective midstream and downstream fossil fuel investments from the Systems' private markets portfolios, the Boards would further insulate those portfolios from the risks of climate change and take further concrete action to reduce the systemic risks of climate change to the planet and the global economy on which we are depending to generate the long-term, sustainable investment returns the Systems need to meet their pension obligations.

I urge the NYCERS, TRS and BERS boards to adopt the midstream/downstream proposal in prospective private markets investments.

Direct Engagement

Direct engagement with our highest emitting portfolio companies, independently from our asset managers, is a cornerstone of the work of TRS, NYCERS, and BERS on Net Zero. All of our Net Zero corporate engagement work is predicated upon the understanding that as long-term investors and fiduciaries, the Systems must be a strategic partner for its portfolio companies throughout the Net Zero transition.

Our engagement strategy focuses on setting science-based targets as a first step toward the creation of a clear roadmap to achieve Net Zero by 2040. To date, on behalf of the Systems my Office has engaged with over 100 public companies on this topic. The Office directly engages with portfolio companies in material sectors, sector-based industry groups, and other investors to accelerate the adoption of science-based short-, medium-, and long-term emissions reductions targets. Targets, based on shared definitions and validated by an independent 3rd party, provide investors with a critical accountability mechanism as the Systems continue their journey to net zero.

On this front, the Office has assumed a leadership role within the Climate Action 100+ (CA100+) as the thematic lead for science-based targets. In this capacity, we serve as the lead investor in engagements on this topic for CA100+ target companies, across sectors, through direct engagement with companies and by supporting other investors in their engagements on this topic. BAM regularly briefs other investors individually and through monthly sector-based CA100+ working groups.

Among the highest emitting sectors, the Office has spent substantial time focusing on Utilities, which collectively represent about 20-30% of the Systems' financed emissions. We have served as a stakeholder on an advisory group convened by the Electric Power Research Institute that is aimed at creating a target-setting protocol for utilities called "SMARTargets." Unfortunately, despite ongoing efforts, SMARTargets is not yet an acceptable methodology for target setting and presents a significant greenwashing risk.

Our goal remains to work with the industry to reach a mutually agreeable outcome on this issue. As such, I recently convened over 60 individuals representing asset owners, managers, utility companies, and service providers to address this issue and identify a path forward that provides investors with the tools and information they need to engage with their portfolio companies on decarbonization and other efforts to mitigate climate-related risk. This meeting clearly communicated our concerns with current approaches which do not take established science into account. Collectively, investors communicated that targets are not just a box to check—they are real tools that we use to make decisions. We expect that utility companies and their trade associations will continue to work with their investors to reach a mutually agreeable approach to this important issue.

I urge the Systems, and the Comptroller-elect, to continue this strategic engagement in the Utilities sector, and more generally with portfolio companies that are responsible for a meaningful share of the Systems' financed emissions.

Thank you very much for your review of this update, for your consideration of these recommendations, and most of all for your diligent and collaborative responsible investing work together over the past four years. I am extremely proud of the work we have done together – consistent with our fiduciary duty, of our shared clarity that climate risk is financial risk, and of the need for a responsible investing approach that rises to these challenges – and the strong results we have achieved. I depart the office with great optimism for the future of our city’s pension systems, our current and future retirees, and the city we love.

Appendix A

Acadian Asset Management	Nomura Corporate Research and Asset Management
Advent Capital Management	Nordea Investment Management
AFL-CIO Housing Investment Trust	Oaktree Capital Management
AQR Capital Management	Pacific Investment Management Company
Baillie Gifford	Pictet Asset Management
Bivium Capital Partners	Pinebridge Investments
Brigade Capital Management	Pugh Capital Management
Brown Capital Management	Pzena Investment Management
Causeway Capital Management	RBC Global Asset Management
Cooke and Bieler	Sands Capital
Dimensional Fund Advisors	Shenkman Capital Management
Earnest Partners	Sprucegrove Investment Management
Eaton Vance Management	State Street Global Advisors
Fiera Capital	T. Rowe Price Associates
GIA Partners	Victory Capital Management
JP Morgan	Voya Investment Management Company
Leading Edge Investment Advisors	Walter Scott & Partners
Legal & General Investment Management	Wasatch Advisors
Legato Capital Management	Wellington Management Company
LM Capital Group	Westfield Capital Management
Mackay Shields	William Blair Investment Management
MFS Institutional Advisors	Xponance
Morgan Stanley Investment Management	
Neuberger Berman Group	