NMERB Divestment Campaign: Busting the Myths

Below are some misleading arguments against divestment from private prison corporations expressed by the executive director of NM Educational Retirement Board. The facts follow each myth.

**MYTH #1:** “To divest might put teachers’ retirement funds at risk.”

**FACT:** As of June 2019, these two stocks represented less than $1 million of the ERB’s $13.3 billion portfolio, only 0.0075%. If those funds were reallocated into different stocks, none of the 33,000-plus teachers served by the ERB would be impacted in any significant way. In fact, had the ERB sold these two stocks and held the proceeds in cash, their performance would have slightly improved.

**MYTH #2:** “Making these changes would, practically speaking, be very difficult.”

**FACT:** Most modern portfolio management software systems make this sort of exclusion very easy to manage -- literally, to just point-and-click for the correct information and calculations.

**MYTH #3:** “To divest could significantly alter how the Board invests its assets” or “...would make the portfolio deviate substantially from its index.”

**FACT:** The ERB holds GEO Group and CoreCivic shares in one small portion of their portfolio, with almost 400 other stocks. To sell these two stocks would make only a tiny (almost undetectable) change to the management of that portfolio. These two tiny allocations could be simply held in cash, or re-allocated among the other stocks in the portfolio, and the difference to the portfolio’s overall asset allocation and performance would be invisible.

**MYTH #4:** “If you divest, you don’t have a place at the table.”

Shareholder advocacy and engagement is certainly a powerful tool used to change the way that American corporations are managed. However, it is impossible for a “private, for-profit prison corporation” to do business ethically, when their entire business model depends on a constant supply of human bodies. We do not believe that these companies could adjust their practices and come in line with basic concepts of human dignity; therefore, we recommend removing them from the portfolio.

**MYTH #5:** “The NMERB must defer to the legislature because of their divestment policy.”

This “policy” is merely a suggestion that the NMERB passed by a motion in December 2019 in response to the requests for divestment. The board has the fiduciary responsibility over the investments of the NMERB pension fund, and owes the duty of loyalty to act only for the interests of the teachers, educators and other beneficiaries of the NMERB pension fund. The Legislature and/or the Governor are forbidden from applying political pressure on the financial decisions of the NMERB.

Produced by NMERB Divestment Campaign, co-sponsored by Santa Fe Dreamers Project and Santa Fe Faith Network for Immigrant Justice: prisondivestnewmexico.org Thanks to Johann Klaassen, of Horizon Sustainable Financial Services, Inc., for his assistance.