



Why divesting in firearm stocks was the right move

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Much has been said about my plans to divest \$30 million in state pension assets from the civilian firearms and ammunition industry as part of our new Responsible Gun Policy. This includes The Day's Dec. 7 editorial, "**Gun Debate** (<https://www.theday.com/editorials/20191207/gun-debate-stocks-others-and-landmark-lawsuit>)," urging my office "to make investment decisions based on rate of return rather than politics." I couldn't agree more.

As state treasurer, I serve as the principal fiduciary charged with prudently managing the investment of approximately \$37 billion in state pension assets. As a trustee, I am legally and ethically bound to act in the best interests of 212,000 retirees and beneficiaries.

My fiduciary responsibility is paramount. Personal views and political agendas cannot dictate our investment policy — period.

After a career as a public pensions' attorney, I focused the lion's share of my first year as state treasurer on how to maximize returns while minimizing risk. From stabilizing the teacher retirement fund earlier this year to our ongoing efforts to de-risk our investment portfolio throughout the year, 2019 was about risk and returns. I hired the office's first chief risk officer to manage investment, operational and enterprise risk, we decreased global equity exposures and increased fixed income, while realigning investment strategies and restructuring asset classes — all to increase returns and better manage risk.

We looked at the numbers on civilian guns, and they don't add up.

Backed by economic analysis and the counsel of external investment managers, investment in the civilian firearms and ammunition industry market is an increasingly risky proposition.

The stocks of civilian gun and ammunition manufacturers are volatile, due in large part to significant financial, reputational, and legal risks that can impact profitability and long-term shareholder value. These risks are underscored by a recent decision by the U.S. Supreme Court to allow the families of Sandy Hook victims to proceed with their case against Remington Arms — a decision that has opened the door for similar claims against other firearms manufacturers, and which has materially changed the liability exposure for the firearms sector.

For critics that feel I've overreached or created a slippery slope with divestment, I want to make two points — one on the law, and the other on process.

On the law: Connecticut statute (section 3-13d) empowers the state treasurer with the ability to consider the social, economic and environmental implications of investments. So yes, losing an average of 180 lives in Connecticut to gun violence each year, which costs our state \$1.2 billion in economic activity annually, can be taken into account when formulating our investment policy.

On process: divestment should be used as a tool of last resort. As a shareholder, when company engagement to mitigate risks and protect long-term shareholder value fails, and letter writing, proxy voting and shareholder resolutions fall short, we are left with little recourse than to evaluate our risk and return profile and act accordingly in the best interests of pension participants.

Let there be no confusion: consistent with the law and the process, we are actively engaged with the companies in which we invest on the risks related to climate change and opioids, to name a few. As an institutional investor, we have a responsibility to be actively engaged on any issue that could harm our investments.

While the divestment of \$30 million in the civilian firearms industry may generate headlines, there may well be greater impact with the Responsible Gun Policy's focus on the billions in banking and financial business we oversee. Separate and apart from divestment and our investment strategy, the Treasurer's Office wants to work with good financial partners that are adequately managing the risks related to gun violence. Using a carrot, not a stick, I'll consider an entity's responsible gun policies as one factor, among many, when awarding financial and banking business.

As yet another anniversary of the Sandy Hook massacre passes, the mounting and tragic loss of life at the hands of gun violence weighs heavily on me — as it should for every Connecticut resident, legislator and yes, the firearms industry.

If universal background checks and assault weapon bans can prevent one unnecessary gun-related death, it should be the law of the land throughout the country. If we can make cars and toys safer, we can make guns safer too. Let's combine our history in munitions and our future in manufacturing and innovation to make Connecticut the home of smart gun technology that could transform the industry for the next century.

I refuse to sit on the sidelines and accept the status quo as a fiduciary or as the state's chief elected financial officer. The risks and the costs of gun violence are just too high.

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