



TESTIMONY IN SUPPORT OF HOUSE BILL 1585

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Chair Layon, Vice-Chair Slottje, and esteemed members of the committee, thank you for the opportunity to provide testimony in support of House Bill 1585. My name is John Mazin, and I am a visiting fellow with FGA Action, a non-profit, non-partisan organization that seeks to enhance individuals' paths to self-sufficiency.

The New Hampshire Retirement System (NHRS) consists of about \$12.3 billion in assets.¹ Among those who have their savings invested with the state are retired teachers, law enforcement officers, and state employees, who after a career serving New Hampshire and its citizens, have more than earned financial security.

However, environmental, social, and governance (ESG) investment strategies are jeopardizing their future.

You've heard and will hear several definitions of ESG today. They have one commonality: failure. ESG trades real capital for political capital at the expense of financial security.

ESG Underperforms

In the U.S., more than \$6 trillion in public pension assets are in funds that incorporate ESG.² For ESG to make up such a substantial portion of public retirement funds is reckless.

Why? Because ESG is a bad investment.

ESG underperforms. A recent study demonstrated that out of 20,000 mutual funds representing more than \$8 trillion, regular funds outperformed ESG funds every time.³ In 2023, more than half of Morningstar sustainability indexes underperformed their traditional counterparts.⁴ A long term study of ESG investments by the Pacific Research Institute showed ESG-guided portfolios giving up to 40 percent lower returns than their traditional peers.⁵ More recently, the best thing to be said about ESG investments are that they simply "don't outperform" their traditional counterparts.⁶

All the while, ESG money managers typically charge 40 percent more in fees to their clients.⁷

How do these funds invest? Not based on profitability. For example, Morningstar recently put out a guide to help investors find business leaders in the LGBTQIA2S+ community. Note, the metrics of the list were not based on returns or profits, but rather to invest in companies based on their sexual proclivities or tolerance therefore.⁸

How does that help retired teachers?

Unsurprisingly, the market is responding. Hedge fund managers are not only avoiding ESG, they are betting against it.⁹ The downward spiral is breaking records. Domestic ESG funds saw more than \$6.1 billion in outflows in the first quarter of 2025.¹⁰ This followed a \$13 billion drawdown in 2024 and a \$9 billion drawdown in 2023. These outflows are historically bad and getting worse.^{11 12 13} FannieMae is also winding down its ESG division.¹⁴

ESG is dying, and New Hampshire public employees will pay the price if the state does not stop leftist financiers from gambling their pensions away. New Hampshire owes it to its employees to ensure that their pensions are safe.

So, what does this all mean? It means ESG is an investment scam: Managers charge a premium to throw money at suboptimal assets under the guise of sustainability, to our detriment. This sets a terrifying precedent.

ESG Investing Violates Fiduciary Duties

Underperformance just scratches the surface of ESG's problems. Prioritizing political factors over returns violates investment managers' fiduciary duties to clients.

In 2022, 19 state attorneys general highlighted this problem in a public letter to BlackRock, one of the more egregious ESG offenders.¹⁵

The letter accurately cited that ESG considerations in public pensions violates their duties of care and loyalty to their beneficiaries. Investors and managers cannot prioritize political over financial goals and still claim to act in anyone's best interest but their own.

This is especially dangerous for New Hampshire, whose retirement system is underfunded by more than 30 percent. Per the NHRS's own admission, the pension is underfunded by almost \$6 billion.¹⁶

This is not a new or unprecedented problem in New Hampshire, either. This is why then-Governor Sununu issued an executive order directing state agencies to follow the guidelines proposed by HB 1585.¹⁷

House Bill 1585 Is a Fix

The financial futures of New Hampshire's teachers, firefighters, and law enforcement officers should not be slush funds for political activists.

Private investors can still sacrifice returns for ideology, but must do so at their own expense and their own risk. But we shouldn't force those who teach our children, protect our streets, and save lives to unknowingly gamble away their chance at financial security to serve political goals.

We can fix this.

House Bill 1585 implements accountability measures including reporting, oversight, and enforcement. It ensures that those managing state pensions aren't investing based on agendas, and money meant to serve New Hampshire's public workers isn't serving political ends.¹⁸ The bill would put New Hampshire in good company with states like Florida, South Carolina, and Tennessee, which have passed similar reforms.

You have a great opportunity here to help lead the way in protecting the security of government employees.

Thank you again for your interest, attention, and dedication.

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