Client engagement | Client story

Aligning US passive allocations with low carbon goals: Asset Owner’s adoption and secondary investment in climate transition index

New York State Common Retirement Fund

With approximately $273.4 billion in assets*, the New York State Common Retirement Fund (“the Fund”) is is one of the largest public pension plans in the United States. The Fund holds and invests the assets of the New York State and Local Retirement System on behalf of more than one million members, retirees and beneficiaries.

About the client

Profile

The New York State Common Retirement Fund holds and invests the assets (approximately $273.4 billion) of the New York State and Local Retirement System on behalf of more than one million members, retirees and beneficiaries.

The Fund manages assets internally through passive investment strategies and invests with external managers to meet its public equities allocation.

Investment objectives

In 2021, the Fund’s key objective was to find a partner who could develop an investment tool that incorporated a robust data-driven approach to invest in corporations that are ensuring their businesses are ready for the low-carbon transition and stand to perform well in the years ahead.

Overweight, underweight or exclude companies based on their transition readiness.

Plan of action

The plan of action was to allocate to an index-tracked fund which aligned with the Fund’s net zero commitment using five key criteria to evaluate corporate efforts to transition to the emerging net-zero economy (fossil fuel reserves, carbon emissions, green revenues, management quality, carbon performance).

This was to support the Comptroller's Climate Action Plan announced in 2019 and the Comptroller’s goal for the Fund of net-zero greenhouse gas emissions by 2040, while also reducing the investment risks faced by the Fund.

Objective: Transitioning US equity investment portfolios towards net zero

The Fund’s ultimate goal is net zero alignment, and its objective is to invest in US corporations that are ensuring their businesses are ready for the climate transition and stand to perform well in the years ahead. FTSE Russell’s TPI Climate Transition indices, which utilise the Transition Pathway Initiative’s (TPI) forward-looking frameworks, allow for continued growth and adaptation as the landscape, regulatory environment, and data availability/coverage change.

Solution: Russell 1000 TPI Climate Transition Index

FTSE Russell has strived to be a trusted advisor to the Fund for more than ten years helping Comptroller DiNapoli deliver on his goals to meet the retirement needs of state and local government employees, retirees, and their beneficiaries. In 2019, State Comptroller Thomas P. DiNapoli released a Climate Action Plan; a multi-faceted strategy to invest in sustainable companies, pursue climate solution investments, and apply minimum standards to portfolio companies to inform engagements, investments, and potential divestment decisions.

In 2021, the Fund became the first Public Pension fund to adopt the climate transition TPI index in the US. The Fund originally allocated US$2 billion within its internally managed public equity portfolio to a passive (index-tracking) fund utilising the Russell 1000 TPI Climate Transition Index ("the Index") in connection with the Fund's Sustainable Investment & Climate Solutions (SICS) program. In January 2025, the Fund committed an additional US$2 billion to the Index bringing it to a total commitment of $4 billion.

The Index is designed to reflect the performance of large-cap companies in the US, where constituent weights vary to account for risks and opportunities associated with the transition to a low carbon economy. Constituent weights are based on five key climate considerations: company exposure to green revenues, fossil fuel reserves and carbon emissions; as well as companies' climate governance activities (aligned with the Taskforce on Climate-related Financial Disclosures' recommendations) and forward-looking commitments to carbon emission pathways (aligned to the Paris Agreement and 2°C/below 2°C warming scenarios). The indices combine data and analysis from FTSE Russell and the TPI.

	Climate parameter	Adjustment
	Fossil fuel reserves	– Underweight companies with fossil fuel reserves
	Carbon emissions	– Over or underweight companies according to their GHG emissions – Sector neutrality
	Green revenues	– Overweight companies engaged in the transition to a green economy
	Management quality	– Over or underweight companies according to their Management Quality (climate governance) Score – Regional industry neutrality
	Carbon performance	– Over or underweight companies according to their carbon performance ("2°C/Below 2°C pathways") assessment

What is the Transition Pathway Initiative?

The Transition Pathway Initiative (TPI) is an asset owner-led initiative (currently supported by asset owners and funds representing around US$80 trillion** combined Assets Under Management and Advice), in partnership with FTSE Russell and the Grantham Research Institute at the London School of Economics that assesses companies' preparedness for the transition to a low-carbon economy. TPI assesses the quality of companies' management of climate change-related risks and opportunities, and their carbon performance. FTSE Russell provides the data that underpins the management quality assessment and is a member of the TPI's Technical Advisory Group.

Additional information

Learn more about the FTSE TPI Climate Transition Index Series

* DiNapoli: State Pension Fund Valued at $273.4 Billion at End of Third Quarter | Office of the New York State Comptroller As at April 15 2025

** https://www.transitionpathwayinitiative.org/ As at 15 April 2025

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