



Retirement News Highlights

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CalPERS laser-focused on killing state fossil fuel divestment bill

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CalPERS is executing a full-court press with staff and trustees and other stakeholders to stop a California bill that would require it and CalSTRS to divest from and halt further investment in fossil fuel companies.

The bill passed the Senate in May and is waiting to be scheduled for a hearing in the state Assembly's Public Employment and Retirement Committee. Board members and staff of the \$456.6 billion California Public Employees' Retirement System, Sacramento, have already met with legislators. Both CalPERS and CalSTRS oppose the bill.

The bill could force CalPERS to violate the fiduciary duty "that you are all held personally responsible for," CEO Marcie Frost told the board at Thursday's meeting.

If passed into law, the fossil fuel bill would result in a \$9 billion divestment, the largest in CalPERS' history and result in an estimated 4.4-basis-point hit to returns per year to the plan over 10 years, Ms. Frost told the board. Over a 20-year period, CalPERS estimates that fossil fuel divestment would result in a 3.6 bps annual decline, amounting to \$327.6 million per annum. "We work really hard to identify risk" and talk about the risk of banning a whole sector of the global economy, she said.

One of the bill's provisions potentially taking effect Jan. 1 would prevent CalPERS and the \$311.1 billion California State Teachers' Retirement System, West Sacramento, from investment or reinvestment in fossil fuel companies, Ms. Frost noted. That provision would require CalPERS to conduct a fiduciary review by the end of 2023, she said.

During the meeting, Board Chairwoman Theresa Taylor offered to again meet with legislators to press them to vote against the bill.

"Obviously we're pushing that if the bill is taken up (by the Assembly PERS committee) that we get the necessary no votes in the PERS committee," said Danny Brown, chief, CalPERS Legislative Affairs Division.

Separately, the board revised the compensation policy for executive and investment management positions further defining the comparator group fund officials use to determine base pay.

CalPERS will continue using a comparison group made up of two-thirds large and complex U.S. and Canadian public funds and one-third private companies. The revised policy limits the pension fund group to include only funds that have at least \$100 billion in assets under management, with in-house active management of at least 25% of the fund's asset portfolio and a sizeable investment in alternatives.

Private sector organizations used for comparison are required to have 0.33 times to 1.25 times CalPERS' AUM.

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