Bill could ban CalPERS, CalSTRS from fossil fuel investing

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A California bill introduced on Thursday would prohibit CalPERS and CalSTRS from investing in fossil fuel companies and require them to divest from current investments by July 1, 2027.

The bill introduced by California State Senator Lena Gonzalez, if passed, would require the $479.6 billion California Public Employees’ Retirement System, Sacramento, and the $327.7 billion California State Teachers’ Retirement System, West Sacramento, to discontinue investing in the 200 largest publicly-traded fossil fuel companies based on the carbon content of their oil, gas and coal reserves, and to divest from investments in them.

The bill also would mandate that beginning Feb. 1, 2024, CalPERS and CalSTRS would provide a report that includes a list of fossil fuel company investments the pension funds have liquidated and fossil fuel company investments they have not yet liquidated, among other information.

CalSTRS is currently reviewing the bill, said Thomas Lawrence, a CalSTRS spokesman, in an email. "We agree that climate change is a pressing issue, and we are aligned with the State of California in combating climate change and worked closely with the state’s department of finance in the development of the California Climate Investment Framework," Mr. Lawrence said.

CalSTRS has pledged to have a net-zero portfolio by 2050 or sooner and in September the board approved a four-part implementation framework, he said.

CalPERS favors engagement with companies over divestment, said Megan White, spokeswoman in an email. "CalPERS has a long record of enacting positive corporate change as a result of engaging the companies we own, both directly and as a part of coalitions of like-minded investors," said Ms. White. "While divesting often only transfers our shares to other investors — investors that might not share our commitment to tackling climate risk — engagement has produced tangible results."

For example, as an owner of Exxon Mobil Corp. CalPERS led a shareowner campaign to elect climate-conscious board members to the company's board of directors, she said.