SB-252

Public Retirement Systems: Fossil Fuels Divestment

Prepared by the

ELDERLY CARE EVERYWHERE POLICY TEAM

Executive Summary

Senate Bill No. 252 (SB 252), introduced by Senators Gonzalez, Stern, and Wiener, with coauthor Senator Portantino, proposes significant changes to California's public retirement systems by mandating the divestment from fossil fuel companies. This bill aims to align investment strategies of the Public Employees' Retirement System (CalPERS) and the State Teachers' Retirement System (CalSTRS) with the state's climate goals.

SB 252 would prohibit CalPERS and CalSTRS from making new investments or renewing existing investments in fossil fuel companies. It sets a deadline for the boards to liquidate all such investments by July 1, 2031, with a provision for temporary suspension under certain market conditions until January 1, 2035.

While the bill intends to support California's efforts to combat climate change, it raises several concerns. The divestment from fossil fuels could potentially impact the financial stability of the retirement systems. The mandated liquidation of investments might lead to significant financial losses, especially if market conditions are unfavorable. Furthermore, the bill could constrain the boards' ability to make investment decisions that best serve their fiduciary responsibilities to the retirees. There is a real risk that divesting from profitable fossil fuel assets could undermine the financial performance of the retirement funds, ultimately affecting the retirement security of public employees.

SB 252 also requires annual reports to the Legislature and Governor on divestment progress and methods to reduce fossil fuel dependence. While this transparency ensures accountability, it may add administrative burdens to retirement systems, diverting resources from other critical functions.

Critics argue that the bill may not balance environmental goals with financial prudence. Forced divestment could limit investment opportunities, potentially affecting returns on retirement funds and retiree benefits. While the suspension clause addresses market disruptions, it may not fully mitigate long-term financial risks. Additionally, there is concern that the bill could set a precedent for further politically motivated investment restrictions, complicating the investment landscape for public retirement systems.

In summary, SB 252 seeks to align California's public retirement systems with the state's climate objectives by mandating divestment from fossil fuels. However, the bill poses potential risks to the financial health of these systems and raises questions about the effectiveness of such a blanket divestment strategy. Balancing environmental sustainability with fiduciary responsibility remains a complex challenge, and this bill highlights the tension between these important priorities. The debate over SB 252 underscores the need for a nuanced approach that carefully considers both environmental impacts and financial responsibilities.

Our Position

Senate Bill No. 252 (SB 252), introduced by Senators Gonzalez, Stern, and Wiener, with coauthor Senator Portantino, proposes mandating the divestment from fossil fuel companies by California's public retirement systems. While the bill aims to align the investment strategies of the Public Employees' Retirement System (CalPERS) and the State Teachers' Retirement System (CalSTRS) with California's climate goals, it raises significant concerns regarding the financial stability and fiduciary responsibilities of these retirement systems.

Elderly Care Everywhere strongly opposes SB 252 because the mandated divestment from fossil fuels could have severe financial repercussions. The bill requires CalPERS and CalSTRS to liquidate all fossil fuel investments by July 1, 2031, which might lead to substantial financial losses, particularly if market conditions are unfavorable. The forced liquidation could undermine the financial performance of the retirement funds, ultimately jeopardizing the retirement security of public employees who rely on these funds.

Moreover, SB 252 places an undue administrative burden on the retirement systems by requiring annual reports to the Legislature and the Governor. While transparency is important, these reporting requirements could divert resources from other critical functions, affecting overall efficiency and effectiveness.

Critics argue that the bill's approach does not effectively balance environmental goals with financial prudence. By restricting investment opportunities, SB 252 could limit the potential returns on retirement funds, thereby impacting the benefits of retirees. Additionally, the suspension clause, which allows temporary relief under certain market conditions, may not sufficiently mitigate long-term financial risks. There is also concern that SB 252 could set a precedent for further politically motivated investment restrictions, complicating the investment landscape for public retirement systems and potentially leading to inconsistent and unstable investment strategies.

The fiduciary responsibility of the boards managing CalPERS and CalSTRS is to act in the retirees' best financial interests. SB 252 could constrain their ability to fulfill this duty by imposing investment restrictions that prioritize environmental objectives over financial stability. This tension highlights the need for a more nuanced approach that considers both priorities.

In conclusion, Elderly Care Everywhere opposes SB 252 to protect the financial health of California's public retirement systems. The bill's mandated divestment strategy poses significant financial risks and administrative burdens that could undermine the stability and performance of retirement funds. A balanced approach is essential to achieve environmental goals without compromising public employees' financial security.

ELDERLY CARE EVERYWHERE
Largest youth lobbying group for senior citizens and senior care in California.

Letter of Opposition for SB-252

June 1, 2024
The Honorable Tina McKinnor, Chair
Assembly Committee on Public Employment and Retirement
Sacramento, CA 95814

Re: Opposition for SB-252

Dear Assembly Member McKinnor and Members of the Assembly Committee on Public Employment and Retirement,

On behalf of Elderly Care Everywhere, I am writing to express our opposition to SB 252, the California Fossil Fuel Divestment Act. While we recognize the importance of addressing climate change, we have significant concerns about the potential impact of this bill on the financial stability of California's public pension funds, which many senior citizens depend on for their retirement security.

SB 252 mandates the California Public Employees' Retirement System (CalPERS) and the California State Teachers' Retirement System (CalSTRS) to divest from fossil fuel companies and prohibits any new investments in these companies. While well-intentioned, this approach could inadvertently expose retirees to greater financial risks. Fossil fuel investments have historically provided stable returns, which are crucial for maintaining the solvency and reliability of pension funds.

Divesting from fossil fuels without a clear and viable alternative investment strategy could lead to increased volatility and potentially lower returns. This instability could jeopardize public employees' retirement savings, particularly seniors who rely heavily on these funds for their livelihood. Ensuring the financial health of our pension systems should be a top priority, especially given the growing number of retirees who depend on these benefits.

We strongly urge you to reconsider SB 252's approach and seek a more balanced strategy that supports environmental sustainability and the financial security of California's retirees. Protecting our environment and ensuring the well-being of our senior citizens are both critical goals, and we believe a more nuanced approach can achieve both objectives.

Sincerely,
Aakrisht Mehra
Founder/CEO
Elderly Care Everywhere

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About Elderly Care Everywhere

Elderly Care Everywhere is a transformative nonprofit organization dedicated to improving the lives of senior citizens. Since its inception, the organization has positively impacted over 40,000 seniors through a variety of programs aimed at enhancing their quality of life. Elderly Care Everywhere has been instrumental in alleviating hundreds of thousands of dollars in medical debt, ensuring that seniors have access to the healthcare they need without the burden of financial stress. With more than 20 chapters across the United States, the organization extends its reach and resources to numerous communities, providing support and advocacy on a national scale.

Beyond U.S. borders, Elderly Care Everywhere has established flood relief camps in India, showcasing its commitment to global humanitarian efforts. The organization's impactful work has been recognized by the government of New Delhi, further highlighting its significant contributions to senior care and welfare. Through these efforts, Elderly Care Everywhere continues to lead the way in senior advocacy, ensuring that the elderly are treated with dignity and respect worldwide.

If you have any questions, feel free to email us at connect@elderlycareeverywhere.org