



CITY OF LAVERNE CITY HALL

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March 19, 2024

Assembly Public Employment and Retirement Committee
1020 N Street, Room 153
Sacramento, CA 95814

Submitted via the Legislative Position Letter Portal

**RE: Opposition to Senate Bill 252 (SB 252) Public Retirement Systems:
Fossil Fuels: Divestment**

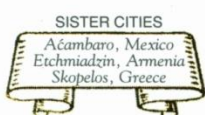
Dear Honorable Members of the Assembly Committee on Public Employment and Retirement:

On behalf of the La Verne City Council, I am writing to express our concerns and opposition to Senate Bill 252, introduced by State Senator Lena Gonzalez, which mandates the divestment of California's public pension funds, CalPERS and CalSTRS, from fossil fuel companies.

While we acknowledge and support the importance of addressing climate change and transitioning towards renewable energy sources, we believe SB 252 may not achieve its intended environmental benefits and could potentially harm the financial stability of the pension funds that are crucial for the retirement security of our public employees.

Our opposition is rooted in several considerations. Firstly, divestment from fossil fuel companies overlooks the potential for engagement with these companies to promote greener practices and technologies. Many energy companies are actively investing in renewable energy and could play a pivotal role in the transition to a zero-carbon economy. Divesting could eliminate the opportunity for pension funds to influence these companies toward more sustainable practices.

Moreover, the financial implications of divestment cannot be ignored. CalPERS and CalSTRS have significant investments of \$9.4 billion in the fossil fuel sector, and divesting could lead to a reduction in portfolio diversification and potentially lower returns. This could jeopardize the funds' ability to meet their financial obligations to retirees.



Furthermore, administrative costs for CalPERS to report divestments would be in the hundreds of thousands of dollars annually to identify the target companies, engage with a consultant, engage outside fiduciary counsel, establish an ongoing tracking and screening process, prepare, and transmit associated Legislative reporting, and to ensure oversight and compliance.

Under the California Constitution (Article XVI, Section 17) the Retirement Board, in their primary duty, shall have the sole and exclusive responsibility to administer the system in a manner that will assure prompt delivery of benefits and the assets of the system “shall be held for the exclusive purpose of providing benefits to participants in the pension or retirement system and their beneficiaries and defraying reasonable expenses of administering the system.” Based on the statements in the preceding two paragraphs, SB 252 and its divestment requirement puts the Retirement Board in conflict with its Constitutional responsibility and further exacerbates the financial situations of employers, who must pick up any unfunded liability or reduction in investment earnings to the negative consequence of other public services.

In conclusion, while we share the goal of transitioning to a sustainable, low-carbon economy, we believe that SB 252 is not the most effective or prudent approach to achieve this objective. We urge you to consider the potential unintended consequences of this legislation on the financial health of our public pension funds and to explore alternative strategies that encourage environmental stewardship while ensuring the financial security of our public employees' retirement funds.

Thank you for considering our perspective on this important matter.

Sincerely,

A handwritten signature in black ink that reads "Tim Hepburn". The signature is written in a cursive, flowing style.

Tim Hepburn
Mayor

C: City Council
Ken Domer, City Manager