

1 [Urging the Retirement Board to Divest from Fossil Fuel Companies]

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3 **Resolution urging the Retirement Board of the Employees' Retirement System**
4 **to divest from publicly-traded fossil fuel companies.**

5 WHEREAS, the San Francisco Commission on the Environment seeks to
6 improve, enhance, and preserve the environment and to promote San Francisco's
7 long term environmental sustainability as set forth in Section 4.118 of the City
8 Charter; and,

9 WHEREAS, the 2014 Intergovernmental Panel on Climate Change (IPCC)
10 Fifth Assessment Report found that global warming is causing costly disruption of
11 human and natural systems throughout the world—including the melting of Arctic ice
12 and subsequent sea level rise, a rise in ocean acidity, disruption of food supply, and
13 increased flooding and drought—and that “even with adaptation, warming by the end
14 of the 21st century will lead to high to very high risk of severe, wide-spread and
15 irreversible impacts globally;” and,

16 WHEREAS, while climate change will impact San Francisco and all San
17 Franciscans, the health impacts of climate change are expected to
18 disproportionately affect communities least able to prepare for, cope with, and
19 recover from them (San Francisco Department of Public Health's 2017 San
20 Francisco's Climate and Health Adaptation Framework); and,

21 WHEREAS, the City and County of San Francisco, in joining the State of
22 California in the fight against climate change, has set ambitious greenhouse gas

1 emissions reductions targets of 25 percent below 1990 levels by the year 2017, 40
2 percent below 1990 levels by the year 2025, and 80 percent by the year 2050
3 (Board of Supervisors Ordinance No. 81-08); and,

4 WHEREAS, the City and County of San Francisco’s 2013 Climate Action
5 Strategy makes clear that climate change is already occurring and outlines a path for
6 deep reductions in local greenhouse gas emission that necessitate a shift away from
7 fossil fuels to the adoption of 100% carbon-free electricity and transportation as
8 quickly as possible; and,

9 WHEREAS, if the City and County of San Francisco, along with local, state,
10 and national governments around the world, meet their carbon reduction targets, the
11 energy market will transform, resulting in significant impacts to the fossil fuel industry
12 and creating stranded financial assets that could pose significant risk for investors
13 and shareholders; and,

14 WHEREAS, in upholding the City’s commitment to addressing climate change
15 and the impacts of burning fossil fuels, the San Francisco Board of Supervisors, in
16 2016, adopted Ordinance No. 236-16 prohibiting the City from entering into or
17 extending leases for the extraction of fossil fuel from City-owned land; and,

18 WHEREAS, in one of his last acts as Mayor, Mayor Edwin M. Lee published
19 “Divesting from Fossil Fuels for a Cleaner and Stronger Future” on December 11,
20 2017, expressing his strong support for divestment and saying, “By taking the bold
21 step to divest from fossil fuel assets, we are once again taking a strong stand on the
22 essential issue of the environment;” and,

1 WHEREAS, the Retirement Board of the San Francisco Employees'
2 Retirement System (the "Retirement Board" or "SFERS") has a Social Investment
3 Policy that states, "The relationship of the corporation to the communities in which it
4 operates shall be maintained as a good corporate citizen through observing proper
5 environmental standards, supporting the local economic, social and cultural climate,
6 conducting acquisitions and reorganizations to minimize adverse effects;" and,

7 WHEREAS, on April 23, 2013, San Francisco Board of Supervisors passed,
8 by a unanimous vote, a resolution urging the Retirement Board of the Employees'
9 Retirement System to divest from publicly-traded fossil fuel companies (the "2013
10 Resolution"); and,

11 WHEREAS, at the time that the San Francisco Board of Supervisors passed
12 the 2013 Resolution, reports indicated that the San Francisco Employee Retirement
13 System had approximately \$583.7 million of its total \$16 billion pension fund (the
14 "Retirement Fund") invested in 91 of the top 200 corporations that hold the majority
15 of the world's fossil fuel reserves, including \$112 million in ExxonMobil, \$60 million in
16 Chevron, \$26 million in Shell Oil, \$17 million in Occidental Petroleum, and \$11
17 million in the China National Offshore Oil Corporation; and,

18 WHEREAS, the 2013 Resolution urged the Retirement Board to "ensure that
19 within five years none of its directly held or commingled assets include holdings in
20 fossil fuel public equities and corporate bonds" as listed in the Carbon Tracker
21 Initiative's "Unburnable Carbon" report; and,

1 WHEREAS, at its March 2015 meeting, the Retirement Board moved to
2 "adopt Level II of the SFERS Social Investment Policies and Procedures regarding
3 fossil fuels ... and direct staff to prepare an implementation plan and timeline to the
4 Retirement Board for its consideration and approval;" and,

5 WHEREAS, in spite of the March 2015 Motion, SFERS staff has yet to
6 present an implementation plan and timeline for Level II engagement with its fossil
7 fuel holdings which reduces public confidence that a Level II solution can be
8 achieved and that a Level III option of full divestment must be explored; and

9 WHEREAS, financial experts including Securities and Exchange
10 Commissioner Bevis Longstreth and staff from Bloomberg and MSCI (Modern Index
11 Strategy) have testified to the Retirement Board that the stranded asset risk of
12 SFERS' investments in fossil fuel companies presents a serious threat to the
13 Retirement System's ability to provide future benefits to its members; and,

14 WHEREAS, On September 12, 2017, noting the delay and lack of
15 transparency in fossil fuel divestment, the San Francisco Board of Supervisors
16 passed, by a unanimous vote, a Resolution urging the Retirement Board of the
17 Employees' Retirement System again to divest from fossil fuel companies (the "2017
18 Resolution"); and,

19 WHEREAS, the Retirement Board has scheduled a Special Meeting for
20 January 24, 2018, at which they will hear a motion for a full and timely divestment of
21 the Retirement Fund's fossil fuel holdings; now, therefore, be it,

1 RESOLVED, that the goal of divestment from fossil fuel companies is to
2 protect our global climate while protecting the Retirement Fund from the significant
3 risk posed by fossil fuel investments becoming stranded assets due to market
4 transformation and the biological, chemical, and physical limits inherent in our
5 biosphere; and, be it,

6 FURTHER RESOLVED, that the Commission on the Environment affirms the
7 referenced resolutions, ordinances, and public statements relevant to this matter that
8 have been executed by the Board of Supervisors and the Mayor of the City and
9 County of San Francisco; and, be it,

10 FURTHER RESOLVED, That the Commission on the Environment urges the
11 Retirement Board of the San Francisco Employees' Retirement System to support
12 full and expeditious divestment of the Retirement Fund from fossil fuel companies
13 beginning with immediate divestment of assets that have issued negative returns for
14 five or more years and full divestment within 180 days at its January 24, 2018
15 Special Meeting; and, be it,

16 FURTHER RESOLVED, that a copy of this Resolution be submitted to the
17 Retirement Board of the San Francisco Employees' Retirement System, the San
18 Francisco Board of Supervisors, and the Mayor.

19 I hereby certify that this Resolution was adopted at the Commission on the
20 Environment meeting on January 23, 2018.

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Anthony Valdez, Commission Secretary

Vote: 5-0 Approved

Ayes: Commissioners Ahn, Bermejo, Hoyos, Stephenson and Wald.

Noes: None

Absent: Commissioner Wan.