

BOARD of SUPERVISORS



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MEMORANDUM

TO: Jay Huish, Executive Director, San Francisco Employees' Retirement System

FROM: Erica Major, Assistant Clerk, Government Audit and Oversight Committee, Board of Supervisors

DATE: April 6, 2017

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Supervisor Peskin referred to Committee on April 4, 2017:

File No. 170305

Resolution urging the Retirement Board of the Employees' Retirement System to renew its commitment to divest from publicly-traded fossil fuel companies, pursuant to its commitments to do so since October 2013, and to provide an update on public and private equity fossil fuel holdings.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Darlene Armanino, San Francisco Employees' Retirement System

1 [Urging the Retirement Board to Renew Its Commitment to Divest from Fossil Fuel
2 Companies]

3 **Resolution urging the Retirement Board of the Employees' Retirement System to renew**
4 **its commitment to divest from publicly-traded fossil fuel companies, pursuant to its**
5 **commitments to do so since October 2013, and to provide an update on public and**
6 **private equity fossil fuel holdings.**

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

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

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

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

3 WHEREAS, In spite of the March 2015 Motion, SFERS staff has yet to present an
4 implementation plan and timeline for Level II engagement with its fossil fuel holdings; and

5 WHEREAS, In October 2015, the Rules Committee of the San Francisco Board of
6 Supervisors held a Hearing on SFERS' progress in protecting the City's Retirement Fund from
7 the stranded asset risk that global climate change poses to their investments in fossil fuel
8 companies, including their progress in implementing Level 1 and Level 2 of their Social
9 Investment Procedures, investing in a fossil fuel-free index fund, and divesting from the "worst
10 of the worst" fossil fuel companies; and

11 WHEREAS, At the December 2015 meeting of the Retirement Board, SFERS staff
12 identified \$21.1 million of holdings in companies with coal mining operations, and the
13 Retirement Board moved to "prudently divest from thermal coal companies held in the
14 portfolio;" and

15 WHEREAS, At the July 2016 meeting of the Retirement Board Executive Director, Jay
16 Huish, stated that SFERS staff had not yet divested any of the coal holdings because, "we
17 choose to ignore the part (of the motion) we believe is not prudent," and the Retirement Board
18 has taken no further action on divesting from coal since then; now, therefore, be it

19 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
20 urges the Retirement Board of the San Francisco Employees' Retirement System to adopt an
21 implementation plan and timeline for Level II engagement with its fossil fuel holdings
22 consistent with its motion adopted in March 2015; and, be it

23 FURTHER RESOLVED, That the Board of Supervisors urges the Retirement Board to
24 provide an update on its motion to divest from coal companies, including but not limited to a
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1 progress report on divestment from relevant public and private equity holdings from July 2013
2 through the present date; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors urges the Retirement Board to
4 adopt a plan for protecting the Retirement Fund from the stranded asset risk posed by global
5 climate change that includes full divestment from fossil fuel companies.

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