

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 to divest**
4 **from publicly-traded fossil fuel companies.**

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6 WHEREAS, The Potsdam Institute's report, "Turn Down the Heat," has documented a
7 0.8°C rise in temperature above preindustrial levels and warns that further warming would
8 cause "unprecedented heat waves, severe drought, and major floods in many regions;" and

9 WHEREAS, The Intergovernmental Panel on Climate Change (IPCC) Fourth
10 Assessment Report found that global warming is causing costly disruption of human and
11 natural systems throughout the world including the melting of Arctic ice, the ocean's rise in
12 acidity, flooding and drought; and

13 WHEREAS, The 2004 Climate Action Plan for San Francisco found that continued
14 warming of the atmosphere would cause San Francisco to experience flooding, threats to City
15 infrastructure, the sewage system, Bay wetlands, and marine life, as well as increased
16 asthma and respiratory illness due to higher ozone levels, increased insurance and mitigation
17 costs, and negative impacts to the fishing and tourism industries; and

18 WHEREAS, The San Francisco Bay Conservation and Development Commission's
19 "Living with a Rising Bay" report found that a 55-inch sea level rise by the end of the century
20 would cause substantial impacts to San Francisco and California, including: putting \$62 billion
21 of Bay Area shoreline development at risk, increasing the number of people at risk of flooding
22 in the Bay Area to 270,000; and requiring at least \$14 billion worth of static structures to
23 protect California's shorelines; and

24 WHEREAS, Almost every government in the world has agreed through the 2009
25 Copenhagen Accord that any warming above a 2°C (3.6°F) rise would be unsafe, and that

1 humans can only release about 565 more gigatons of carbon dioxide into the atmosphere to
2 maintain this limit; and

3 WHEREAS, For the purposes of this ordinance, a “fossil fuel company” shall be defined
4 as any of the two hundred publicly-traded companies with the largest coal, oil, and gas
5 reserves as measured by the gigatons of carbon dioxide that would be emitted if those
6 reserves were extracted and burned, as listed in the Carbon Tracker Initiative’s “Unburnable
7 Carbon” report; and

8 WHEREAS, In its “Unburnable Carbon” report, the Carbon Tracker Initiative found that
9 fossil fuel companies possess proven fossil fuel reserves that would release approximately
10 2,795 gigatons of CO₂ if they are burned, which is five times the amount that can be released
11 without exceeding 2°C of warming; and

12 WHEREAS, In its “Oil and Carbon Revisited” report, HSBC Global Research found that
13 if global policy makers committed to not exceed 2°C of warming, “only a third of current fossil
14 fuel reserves can be burned before 2050,” which would result in the “potential value (of
15 publicly traded fossil fuel companies) at risk could rise to 40-60% of market (capitalization);”
16 and

17 WHEREAS, In its “Do the Investment Math: Building a Carbon-Free Portfolio” report,
18 the Aperio Group investment management firm found that divesting all fossil fuel companies
19 from a broad-market U.S. stock market index such as the Russell 3000 would increase
20 “absolute portfolio risk by 0.0101%,” and

21 WHEREAS, The City and County of San Francisco Board of Supervisors adopted
22 Resolution No. 158-02 committing the City and County of San Francisco to a greenhouse gas
23 emissions reductions goal of 20% below 1990 levels by the year 2012; and

24 WHEREAS, Under Resolution No. 158-02, the Mayor and Board of Supervisors of the
25 City and County of San Francisco actively support the Kyoto Protocol; and

1 WHEREAS, Under Section 12.100 of the San Francisco Charter, the Retirement Board
2 of the San Francisco Employees' Retirement System (SFERS) "shall have plenary authority
3 and fiduciary responsibility for investment of monies and administration of the Retirement
4 System"; and

5 WHEREAS, The Retirement Board's Social Investment Policy states that, "The
6 relationship of the corporation to the communities in which it operates shall be maintained as
7 a good corporate citizen through observing proper environmental standards, supporting the
8 local economic, social and cultural climate, conducting acquisitions and reorganizations to
9 minimize adverse effects"; and

10 WHEREAS, Divestment from fossil fuel companies is a responsible way for the
11 Retirement Board to carry out its fiduciary duties and demonstrate leadership in implementing
12 its Social Investment Policy; and

13 WHEREAS, Students at more than two hundred colleges and universities in the United
14 States have launched campaigns to have their institutions divest from fossil fuel companies;
15 now, therefore, be it

16 RESOLVED, That the Board of Supervisors of the City and County of San Francisco
17 urges the Retirement Board of the San Francisco Employees' Retirement System (SFERS) to
18 review the SFERS investment portfolio to identify any holdings that include direct or indirect
19 investments in fossil fuel companies; and, be it

20 FURTHER RESOLVED, That the Board of Supervisors understands that in no way
21 shall this Resolution or the policies articulated hereunder supersede the Retirement Board's
22 fiduciary responsibilities to its members; and, be it

23 FURTHER RESOLVED, That the Board of Supervisors accepts that by divesting out of
24 fossil fuel companies the Retirement Board may produce reduced investment returns as a
25 result and the Board of Supervisors believes that divesting out of fossil fuel companies is an

1 acceptable tradeoff for all current and retired City employees who are affected by the
2 performance of the Retirement System; and, be it

3 FURTHER RESOLVED, That the Board of Supervisors urges the Retirement Board to
4 immediately cease any new investments in fossil fuel companies or in commingled assets that
5 include holdings in fossil fuel companies; and, be it

6 FURTHER RESOLVED, That, for any SFERS investments in commingled funds that
7 are found to include fossil fuel companies, the Board of Supervisors urges the Retirement
8 Board to contact the fund managers and request that the fossil fuel companies be removed
9 from the funds; and, be it

10 FURTHER RESOLVED, That the Board of Supervisors urges the Retirement Board to
11 ensure that within five years none of its directly held or commingled assets include holdings in
12 fossil fuel public equities and corporate bonds as determined by the Carbon Tracker list; and,
13 be it

14 FURTHER RESOLVED That the Board of Supervisors urges the Retirement Board to
15 prepare a report on options for investing in opportunities that would mitigate or limit the effects
16 of burning fossil fuels, such as renewable energy, clean technology, and sustainable
17 communities, with an emphasis on investments that would support local projects and local
18 jobs; and, be it

19 FURTHER RESOLVED, That the Board of Supervisors urges the Retirement Board to
20 release quarterly updates, available to the public, detailing progress made towards full
21 divestment.