Why We're Opposing Divestment in Senate Bill 252

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During the CalPERS Board of Administration meeting in March, board members voted to formally oppose Senate Bill 252 (Gonzalez), legislation that would require divestment from fossil fuel companies.

By a vote of 7-1, the board agreed with a staff recommendation to oppose the bill, which will be considered by the California State Senate this spring. It's important to explain why CalPERS opposes SB 252 and how the legislation could affect you as a CalPERS member.

What is SB 252?

If signed into law, SB 252 would prohibit the CalPERS Board of Administration, along with the California State Teachers' Retirement System (CalSTRS) Teachers' Retirement Board, from making new investments in fossil fuel companies. It would also require both pension funds to divest existing fossil fuel company investments on or before July 1, 2030, if those actions were found to be consistent with their fiduciary duties. SB 252 would also require both CalPERS and CalSTRS, beginning on February 1, 2025, and every year going forward, to report to the governor and Legislature on the status of any fossil fuel company holdings and divestments.

Why are we opposing SB 252?

The California Constitution requires CalPERS to put its members' retirement benefits before all other obligations and to manage the pension fund with this responsibility first and foremost. CalPERS recognizes the material risk that climate change poses to all of us, the global economy, and to our long-term investments. But we also believe it is a risk that we must address through investment practices such as advocacy and engagement. The partnerships we have forged across the world are showing promise, and we must continue these efforts to keep global warming to 1.5 degrees Celsius. As a global investor, directed by the California Constitution to carry out a fiduciary duty to its members and employer partners, CalPERS does not believe that mandatory fossil fuel divestment is an effective solution to the reduction of greenhouse gas emissions.

Divestment has little—if any—impact on a company's operations and therefore does nothing to reduce greenhouse emissions. Forcing CalPERS to sell fossil fuel companies' stock does not change the amount of gasoline people use to drive to work, to pick up children from school, or to deliver food to the grocery store.

"The companies in question can easily replace CalPERS with new investors, ones who are unlikely to speak up as loudly or as consistently as we have about the urgent need to move toward a low-carbon economy," said CalPERS Chief Executive Officer Marcie Frost.

We also believe that divestment would create a ripple effect on our ability to produce the investment returns needed to fulfill our members' retirement promises. As of December 31, 2022, the estimated value of publicly traded securities held by CalPERS that meet the SB 252 criteria of a "fossil fuel company" was $9.4 billion. Every missing dollar of investment returns must be offset by employer and employee contributions.

What happens now?

Senate Bill 252 was passed in the Senate Judiciary Committee on April 19, 2023. It will now move to the Senate Appropriations Committee. If approved, the bill would take effect on January 1, 2024, but was amended to push back the divestment date to 2031.

Additional Resources

For more information, you can check out Agenda Item 8c: Senate Bill 252 (Gonzalez) – Divestment from Fossil Fuel Companies (PDF), which was presented during the March board meeting by Daniel Brown, the chief of CalPERS' Legislative Affairs Division. You can also read the bill or watch the board discussion on our YouTube channel starting at the 29-minute mark.